



MONDAY AUGUST 1 1994

UN sanctions US invasion to oust Haiti military junta

Europe's Business Newspape

The United Nations Security Council told US president Bill Clinton he could invade Haiti and remove its military leaders by force, but sources within the Clinton administration said this did not necessarily mean an invasion was imminent. The resolution allows the use of "all necessary means" to restore to power President Jean-Bertrand Aristide, whom General Raoul Cedras ousted in 1991 and who is now in exile in the US. Page 14

Milosevic urges Bosnia peace: Serbian president Slobodan Milosevic, faced with growing economic sanctions, urged his kinsmen in Bosnia to accept an internationally sponsored plan to end civil war in the republic. Page 14

Toubon to carry on Francials battle



French culture minister Jacques Toubon (left) said he would continue his campaign to restrict the use of foreign words in the French language despite opposition from the Constitutional Corm cfl. the body which assesses whether new egislation is valid. Mr

Toubon, whose campaign has earned him the nickname "Mr Allgood", said the council's ruling was simply "a technical setback". Page 14

Rabin presses Syria for peace move: Israeli prime minister Yitzhak Rabin urged Syria to make the next moves towards peace in the Middle East while renewing his calls for direct negotiations with the Syrian leadership. Page 3

US auctions airwaves for \$617m: The US government collected more than \$617m in the Federal Communications Commission's first auction of

Russians warned over MMM: The Russian government said it would not use taxpayers' money to compensate those who had lost money on shares in the MMM finance house which is on the brink of collapse. Page 2

Morcodes-Benz, German vehicle builder, is to set up a development centre for autission-free commercial vehicles at its Mannheim plant.

'Fortress Europe' wisa claim: The European Commission is exceeding its powers by seeking to impose visa requirements amounting to narrowing the drawbridge to "fortress Europe", a UK House of Lords report says. Page 5

Rivairles at Astra satellite operator: Société Europeénne des Satellites, Luxembourg-based company that operates the Astra satellite television system, has been split by bitter rivalries and attempts to overturn its management, Page 15

Polish banks to co-operate: Three Polish banks have agreed to work together in a first step towards consolidation of the country's fragmented banking sector. Page 17

Suez calls off Ebelile sale: French financial and investment group Suez has broken off negotiations to sell its Abellie Reassurances for around FFr2.1bn (\$390m) to Scor, France's largest reinsurer because Scor wanted a price cut. Page 15

BASF postpones investment in Italy: German chemicals group BASF postponed investment in Italy because of government-inspired price cuts and healthcare reforms. Page 17

UK urged to cut alcohol duty: Britain must cut excise duties to the same levels as France to prevent the cross-Channel bootlegging of alcohol, says a report by the consultancy London Econom-

European Monetary System: France and Portugal trimmed interest rates last week, but the order of currencies in the EMS grid remained unchanged. There was little movement in the spread between strongest and weakest currencies because most attention was outside the grid where the lira was weaker and the pound and dollar firmer. Currencies, Page 27

EMS: Grid

July 29, 1994 **B.Fracc** D-Mark Irish Punt F.Franc Escudo **D.Krone** Peseta

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which more in a 2.25 per cent band.

UK company undercuts Japan's market: Helped by the strong yen, Birmingham-based machine tool builder Cincinnati Milacron UK is selling general purpose machining centres to Japan, the world's largest producer. Page 5

Persil washes friendlier: Anglo-Dutch consumer goods group Unilever widened its battle over washing powders with US rival Procter and Gamble by claiming that its Persil Power powder is environmentally friendlier than rivals. Page 15

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US threatens sanctions on Tokyo

By Nancy Dunne in Washington

The US yesterday initiated trade sanctions proceedings against Japan after breaking off separate negotiations with Canada as as self-imposed deadline for unilat-eral trade action approached.

The US set in motion a 60-day consultation period which will be followed by punttive sanctions if the two countries are unable to resolve a dispute over what the IIS claims are discriminatory Japanese practices in government procurement of telecor

nications and medical equipment. Retaliatory moves against Japan or Canada, or both, would be a test of US resolve on trade issues after much tough talking on market opening and protect-

Any punitive action would be

Washington breaks off trade talks with Japan and Canada

the first since the signing of the Uruguay Round agreement in Marrakesh earlier this year. Talks over Canadian wheat exports to the US, where farmers claim they are suffering, remained unresolved late yesterday. A Canadian delegation had returned home but the two sides maintained telephone contact in a bid to avert imminent sanc-

The US is reluctant to take action against Japan and Canada after widespread criticism that Washington's hard-nosed approach to Japan had destabil-ised the relationship and driven the yen up and the dollar down. With Ottawa, the US has only

the flimslest of rationales for limiting Canadian wheat exports. The US International Trade Commission, acting on a request from

US takes hard line on dumping

President Bill Clinton, found that Canada's wheat sales had damaged the US price support programme. But three of the six commissioners found the harm to be minimal and recommended only weak sanctions. Mr Clinton is expected to

decide as early as today what action, if any, to take to curb wheat imports. The pressure from senators in northern wheatgrowing states has been intense and the US pasta industry, which would be hurt by wheat quotas,

is stremuously pushing its case.

Even retaliation might be temporary. The domestic statute under which the action would be taken will be phased out of exis-tence when the new World Trade Organisation goes into effect. The WTO is tentatively scheduled to start for launch next January.

IIS and Japanese negotiators have been reporting progress but not enough. Japan last week gave the US a detailed compro-

mise proposal containing ele-ments of "objective indicators to measure progress" as demanded by the US. Japanese negotiators had not held out much hope that this would be enough to stave off sanctions proceedings and the reaction in Tokyo to the collapse

of the talks was calm.

A foreign ministry official was quoted yesterday as saying Japan would continue to seek a resolu-tion to the issue within the framework talks on trade set in

motion a year ago.
Japan is resisting US demands for the two sides to agree "objec-tive criteria" whereby improved stration of Japanese markets sured.

The remaining difficulty has been the US demand for an agreement calling for "significant

A senior US official defended the use of domestic trade laws, under which any action against Canada or Japan would be taken. "The US is still the lender and trader of last resort, with the job to keep the multilateral trading system running," he said. "We don't have the option of pulling out of the international system because it will totally collapse." He likened the trade laws to "swords of Damocles - not to be unsheathed" because of the harm they could do to the international trading system. "They are like nuclear weapons. They are best in their silos," he said.



Coalition partner steps up pressure on Berlusconi

By Robert Graham in Rome

Proposals by Italian prime minister Mr Silvio Beriusconi to distance himself from his Figinvest media empire have been dismissed as wholly inadequate by the leader of one of the government's main coalition part-

Speaking at the weekend, Mr

Umberto Bossi, who heads the populist Northern League, said:
"The proposals won't stand up."
And he said he would be presenting a completely new approach to resolve the worsen-ing crisis over the conflict of interest between Mr Berlusconi's role as prime minister and his ownership of Fininvest, Italy's second-largest private group. The challenge from Mr Bossi followed earlier misgivings volced by President Oscar Luigi Scalfaro over the plans which Mr Berlusconi unveiled on Friday. face a much tougher task than originally expected when he

defends his proposals in a special parliamentary debate tomorrow. Mr Berlusconi proposed that Mr Scalfaro, in conjunction with the speakers of the the two houses of parliament, nominate a five-member commission to mitor the conflict of interest. They could also monitor the management of Fininvest. At the same time, Mr Berluscont could nominate an "admin-

People Page

Indebted Russian enterprises fail to pay workers

By John Lloyd in Moscow

increasing numbers of Russian workers are receiving no wages for months at a time, creating a "working poor" in enterprises deep in debt and often barely able to continue production.

The working poor, a class that is likely to continue to grow as credits for enterprises are slashed, have been highlighted by Goskomstat, the state statistics office Goskomstat suggests that workers at 33,000 enterprises, of which 20,000 are collective farms or agro-industrial corporations, regularly receive no

pay for months at a time. In one case cited, an agricul-tural enterprise in Khabarovsk in

Moscow tries to limit MMM fallout ... --Page 2

the far east, the workers had not been paid since last August. The overall indebtedness of enterprises to their workers in the Russian economy stands at about Rbs3.4 trillion (million mil-

The figure is climbing steadily and grew in June alone by 16 per cent. The worst affected regions appear to be Siberia and the far

CONTENTS

TV and Radio

In separate figures produced last week by the Labour Minis-try, the number of Russians living below the official poverty line or 16.4 per cent of the total population.

istrator" who would be able to Mr Victor Chernomyrdin, the sanction management decisions prime minister, was harangued by such workers on his trip last Continued on Page 14 week round Siberia, with women Berlusconi caught in web, Page 2 in one plant claiming to receive

Leader Page

LOTE .

only Rbs20,000 a week. The Labour Ministry data indicate that 3 per cent of workers receive less than Rbs61.500 - the level below which absolute want is reckoned to exist. People living below the subsistence minimum are reckoned to spend four fifths of their income on food.

As well as the absolute poverty suffered by the lowest-paid section of the population, the ministry figures show a rapidly widen ing gap between rich and poor. The richest 10 per cent of the 148m Russians receive 23 per cent of incomes, with the lowest 10 per cent receiving 3 per cent of

The Russian budget, approved last month by both houses of par-liament, is kept within the deficit limits agreed with the International Monetary Fund only by the severest pruning of expendi - which is increasingly showing up as non-payment of

According to figures produced last week for the upper house of parliament, income to the budget is about 62 per cent of that planned - because of the inability of the state to gather in tax ome, especially from enterprises that are themselves technically bankrupt. However, the government contin-

ues to hold to its tough line, which has seen inflation brought down to about 4 per cent-5 per cent a month. However, Mr Chernomyrdin told directors of mili-tary industrial plants last week that they must no longer count on state subsidies — and that the task of converting their plants to civilian production, and thus of the survival of their enterprises. lay in their hands alone.

Equity Markets

PT World Actuation ... Managed Funds 23-25 talks to US soldiers yesterday at a US-installed water purification plant in the border town of Gomp, Zaire. Earlier he had visited Kigali, the Rwandan capital, following the arrival earlier of the first main body of US troops. Within hours they had repaired the mortar-bombed natway for round-the-clock operations. RPF keen to establish credentials, Page 3

China suspends stock listings to brake price slide By Tony Walker in Beijing stock regulators for the market

China's beleaguered stock market regulators have suspended new stock listings this year to brake the downward slide by the country's equity markets. China's A-share index for local investors in Shanghai, the coun-try's main exchange, closed at

333.92 on Friday, 80 per cent down from its February 1993 peak of 1.640.71. The decision to stop new share issues followed an emergency meeting between the China Securities Regulatory Commission (CSRC) and stock market officials. It reflects growing official concern at a disastrous loss of

public confidence in China's fledgling stock markets. The freeze on new listings covers share issues delayed from last year and those proposed for 1994. The commission had aiready slowed the listing process but

that has had little effect on the The CSRC will seek to increase the number of institutional investors and will encourage the establishment of Sino-foreign companies to channel funds into the A-share market, which is

volatility is the lack of a solid institutional base among inves-tors. Most investors are private individuals seeking short-term speculative gains. China's securities regulators

are also looking at schemes to pump money into "selected secu-rities institutions to enliven trad-The latest CSRC announce-

to combine A-shares and B-shares to boost confidence in the market and increase turnover. B-shares for foreigners are denominated in yuan but are traded in US and Hong Kong dol-

Foreign securities analysts say that while merging the A and Behare markets in Shanghai and Shenzhen is desirable, it is not feasible as long the yuan is not

fully convertible.
In continuing efforts to "talk up" the markets, Mr Liu Hongru, chairman of the CSRC, was quoted in the official media on Saturday as saying that China would issue US\$1bn worth of shares for overseas investors in the "coming years".

Continued on Page 14 World stock markets, Page 22

AULY, 1994

restricted to local investors. Among reasons identified by Picture: Reute MAN SELE

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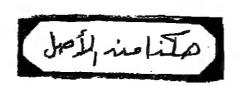
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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO



— win ura Moscow tries to limit damage from tottering MMM

The Russian government sought over the weekend to limit the damage caused by the threatened collapse of the MMM finance house – in which millions have invested in the hope of huge returns – by saying it would not use taxpayers' money to compensate those who had gambled and

The company, however, continued to proclaim its solvency, and yesterday sought to prove it by raising the price of shares from the Rbs1,000 it had announced on Friday - cut from the previous high of Rbs115,000 - to Rbs1,125.

It also told pensioners and invalids that it would redeem their shares at the previ-ous high price on the receipt of a written

The ground round the MMM office in a Moscow suburb yesterday was, once again, crowded with people on a brilliant summer day – with touts doing brisk business selling pensioners and invalids ordinary pieces of paper for Rbs100 – a new high-water mark of the market economy on which they could write their requests

for refunds. Mrs Frida Prosyanikova, a pensioner receiving Rbs80.000 (about £27) a month, said she had one share for which she had saved for a year, and did not know whether or not to sell it or retain it in the hope of the shares climbing again.

Mr Victor Chernomyrdin, the Russian

prime minister, speaking from Petrozavodsk in the Karelian republic, said there would be no compensation because "peo-ple could only be repaid by those who had not bought MMM shares" – showing a now typical concern for the interests of the taxpayer.

Ramming the point home in a TV interview on Saturday, Mr Andrei Kazmin, a deputy finance minister, said, "The mar-

ket economy means above all the direct personal responsibility of each individual." Mr Chernomyrdin softened the blow by acknowledging that the government was at fault for failing to bring in legislation on the securities market, and blamed the Finance Ministry and its senior officials for failing to use what rules and regula-

tions there were. "We cannot stop people buying the shares but we were obliged to explain to them what was behind this," he said, and promised "punishment" for those responsi-

The Finance Ministry, now preparing a set of regulations in record time, said it would insist on an audit of MMM and all similar companies now operating in the market. One such company is Telemarket, whose shares fell over the weekend from Rbs30,000 to Rbs16,000.

However, it blamed the mass media for continuing to broadcast and publish MMM

presidential decree in June offering investors protection from irresponsible advertis-

For his part Mr Sergei Mavrodi, MMM chairman, promised a meeting with repre-sentatives of the shareholders on Saturday, then failed to turn up. The company says it will open its selling points tomor-row and again trade in the shares at the new price of Rhsl 125.

The black market price of the old shares continued to enjoy a substantial premium over the new issues, hovering between Rbs6,000 and Rbs8,000. This was widely interpreted to indicate people's refusal to believe they will not be redeemed. The pre-crisis shares were trading at higher prices than those issued after the crisis -

which bear a stamp to distinguish them. A poli taken by the Institute of Sociology on Saturday gave some comfort to the government, which has tended to be

because of warnings it delivered on its viability 10 days ago. The poll showed that 25 per cent of the Muscovites questioned said they would blame the company for the crists, while 21 per cent said the share-holders "gullibility and naivety" were to blame - against 13 per cent blaming the

government and the taxation service.

The poll showed that only 7 per cent had investments in MMM, while 46 per cent had shares in other companies - probably as a result of the widespread distribution of shares during the first stage of the privatisation process. Less than 2 per cent of shareholders, even MMM shareholders. said they would contemplate protest action against the government if the com-

pany went bankrupt. However, in other questions, over a quarter of those polled said the affair threatened the interests of many Russians the security and stability of privatised companies in general.

The newspapers have largely reflected The newspapers have larkely reflected an anti-government tone in the affair, with Nezavisimaya Gazeta, its sharpest critic, weighing in at the woekend with a head-line which read "Mr Mavrodi had acted in the same way as Chubais [the privatesation minister] but with more half- it quoted Mr Chubais saying that 40m share quoted Mr Chubas saying that was were now holders in privatised companies were now an irresistible political force, and con-trasted this with Mr Mayord saying his shareholders were now also an aroused mass which could bring down any government which gainsaid it.

By contrast, the more supporting Sevod nya pointed out on Saturday that MMM followed the Soviet habit of devaluing its solved its problems in the easiest way for it - by dropping the price of its shares to nearly nothing". currency without warning and that "I had

War of words against Chechnya may presage military intervention

Chechnya, the rebel Russian republic in the north Caucasus, continued to be under sustained rhetorica attack from the Russian government over the weekend. in what appears to be preparation for either an armed intervention by Russian forces or an effort to stimulate

Mr Umar Avturkhanov, head of the opposition Temporary Council for Chechnya, was given prime time on Commonwealth TV on Saturday night to claim that the Council was the rightful government of Chechnya - a broadcast which would not have been seen in Chechnya

decision to jam Central TV Mr Ayturkhanov said

neither he nor Russia wanted intervention by armed forces from outside the republic but "The Russian authorities should accept our request [for recognition]... as the highest organ of power in the

Mr Sergei Filatov, chief of staff for President Boris Yeltsin, accused General Dzhokar Dudayev, the Chechen president, of beheading his opponents and putting the severed heads on Pravda said that on Saturday three opposition activists were beheaded and their heads set

of the republic's capital.

The opposition broadcast and Mr Filatov's comments came after the official news agency Tass published a statement from the government on Friday describing Gen Dudayev's rule as illegitimate and promising that the Russian authorities

rule of law and the protection of its citizens. That in turn followed the latest hostage incident at Mineralnye Vody, close to Chechnya in the North Caucasus - where for the fourth time hostages were seized and a ransom demanded by a gang mainly composed of

chens. In the previous

incidents the gangs have

escaped only to be apprehended in Chechnya: in the last case, special forces stormed the getaway helicopter while still on the ground at Mineraly Vody with the loss of five lives.

Chechnya, which declared independence in 1992 and has since defied all efforts by Russia to bring it within the fold of the Russian Federation. is widely seen in Russia as a state run by and for criatinal gangs who prey off Russian cities, especially Moscow and St Petersburg. Its gang warfare has spread as far as Britain - where two Checke were found murdered in a London flat last year - and the country is believed to be a conduit for drugs from the Caucasus and Central Arie

Gloomy prospect from Bosnia 'contact group' discussions

Geneva talks stave off war in ex-Yugoslavia – for a while

The spectre of war spreading through former Yugoslavia has been staved off, but only a small amount of time, perhaps just a few weeks, has been gained. That was the gloomy prospect to emerge from the weekend's talks in Geneva among the five-nation "contact group" on Bosnia.

Foreign ministers from the US. Russia, the UK, France and Germany, plus Greece as the outgoing chairman of the European Union, met to select a mix of carrots and sticks to drive on their peace initiative. slow to move forward since its birth last month. They were also keen to prevent the Balkan conflict from poisoning their relations with one

The plan would in effect divide Bosnia between the Serbs and a Moslem-Croat allitheir share of territory from 70 to 49 per cent. Faced with a "yes" from Bosnia's Moslem leaders and a virtual "no" from the Bosnian Serbs, the ministers agreed on a gradual escalation of pressure, while keep-

ing the door open. They pledged to reinforce and broaden the flagging regime of sanctions against the Yugoslav republic (which now consists of Serbia and Montenegro); and also to police more strictly Bosnia's exclusion zones designed to protect Moslems.

A new resolution on sanctions could be presented to the Security Council within a week, and by the end of this month. Nato should have devised a way to use more air power against the Serbs without leaving UN's ground troops too vulnerable

As part of the attempt to reinforce sanctions, the ministers pledged to approach Serbia's neighbours and offer financial compensation in return for policing borders more tightly.

The US delegation, led by the secretary of state, Mr Warren Christopher, came away from Geneva frustrated because of the mildness of the proposed action against the Serbs. In a bow to congressional

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move to permit arms supplies to the Moslems. Mr Christopher said: "We are not prepared to see this process strung out indefinitely. We cannot continue this situation where the victims are punished by the arms embargo and are denied the right to defend

Mr Andrei Kozyrev, the Russian foreign minister, retorted that "hot-heads" in the Moscow parliament would respond to any unilateral US move by pulling out of eco-

The contact group will not nomic sanctions against the Andrei Kozyrev views the "arm-the-Moslems" slogan with

Russia feels no enthusiasm helpful influence on their kins-

men in Bosnia.

the "arm-the-Moslems" slogan with unmitigated dismay, and this alarm is broadly shared by the governments of Britain and

it clear they would withdrew their troops, which form the mainstay of the UN's peacekeeping and humanitarian operation in the event of conflict reigniting and spreading, Yet Mr Kozyrev is aware of the desperate need to induce

if US enthusiasm for a fair fight" is to be kept under con-Because the contact group's map was presented on a "take-

it-or-leave-it" basis, there seems to be little room for the Serbs to modify their position and parry international anger except through outright acceptance.

Yet senior UK officials did see some scope for further negotiations at the margins of

with a more plausible position,

unmitigated dismay; Britain and

It was clear in Geneva that whatsoever for the idea of intensifying economic pressure on Serb leaders in Belgrade, who are viewed in Moscow as a

Mr Kozyrev did grudgingly sign up to the principle of tightening existing sanctions and exclusion zones; but he saw it as a necessary price for damping US zeal for the idea of allowing arms supplies to the Moslems.

The Russian minister views

All three governments made

France broadly agree but in principle the parties could do so by mutual agreement, they point out.

Also, the peace plan does not lay down the constitutional arrangements - so that too is open to negotiation.

Some observers see potential for give-and-take over Sarajevo, where the Serbs have hinted they would sacrifice the suburbs they control in return for territory elsewhere. In the words of one UK official: "We have told the Serbs that it is no use saying 'Yes, but...' However, they could say 'Yes,

Both Mr Kozyrev, and his Greek counterpart, Mr Karolos Papoulias, stressed that they viewed some softening in the Serb position as both desirable

Yet even in the unlikely event of the Serbs coming round to virtual acceptance of the plan, the Bosnian government is likely - to judge from the statements of Moslem commanders - to seek ways of

fied war, which could spread northwards to Croatia and possibly southwards, to pit Slavs against Albanians, will not go away. This danger seems to weigh more heavily on European governments than in

Where US politicians cling tenactously to belief in "righting wrongs", the foreign minis-tries of Europe have taken a more cautious attitude which stresses the need to limit damage and avoid further blood-

The Geneva meeting threw up repeated examples of a con-trast in approaches between the US on one hand and all the Europeans - British, French and Russian - on the other. The European countries were at pains to stress the fragility of recent achievements, includof life in Sarajevo and central

Posnia All these achievements, they have pointed out, would be scuppered in the event of a general conflagration with ussia supporting one side and the US the other.

Mr Andrei Kozyrev and Mr Douglas Hurd, the UK foreign secretary, both made the point that disagreements over Bosnia among the the big powers have had some disastrous conquences in the past.

This, they implied, was a rea-son why the powers involved in Bosnian peace-broking should struggle to overcome their differences of approach, and to prevent these differences from poisoning their broader relationship.

"This century has many examples of what happens when other countries disagree about the Balkans," said Mr Hurd, referring to the start of of the first world war 80 years ago after an assassination in



Poles mourn dead of 1944 Warsaw Uprising

against Nazi occupation when they comthe bloodiest battles of the second world

Red and white Polish flags lined streets as masses were held and prayers were said in the Warsaw synagogue before today's main ceremonies which will be attended by German President Roman

Poles paid tribute yesterday to the 200,000 Herzog, US Vice-President Al Gore, Britvictims of the 1944 Warsaw Uprising ish Prime Minister John Major and a Rus- Otherwise a wound will still divide sian presidential aide.

angered some veterans because of the Nazi brutality during the uprising and Moscow's failure to come to their aid. But President Herzog and Polish President Lech Walesa have said it is now time for

reconciliation. "We Germans and Poles must find some

Europe across its centre." Mr Herzog said broadcast on Saturday night.

The uprising began on August 1 1944, and ended in capitulation the following October 2 after weeks of bombardmen and hunger. By the time the Soviet army entered Warsaw on January 17 1945, few buildings were left standing.

Trial sought over Milan contracts

applied for a trial on corruption charges of 41 people, including two ex-mayors of Milan and two former executives of Fiat, judicial sources said yesterday, Renter reports from Milan.

A senior judge must now rule whether there is enough evidence to try the defendants. Milan prosecutor Mr Paolo lelo sought the trial at the end of an inquiry into alleged bribes paid to political parties to win business from Milan's public transport authority. The investigation into corrupt prac-

An Italian prosecutor has tices over the distribution of ties between 1978 and 1992. He contracts for the Milan metro was one of the first big investigations by Milan magistrates begun two years ago.

The two ex-Fiat executives are former finance director Mr Francesco Paolo Mattioli and Mr Antonio Mosconi, former vice-chairman of its Cogefar Impresit building subsidiary. Mr Ielo has asked for them to be tried on corruption charges. Mr Ielo alleges that bribes worth four to five per cent of the contracts to buy buses for Milan's public transport network were paid to political paralso applied for former Milan mayors Mr Carlo Tognoli and Mr Paolo Pilliteri and 37 other politicians and businessmen to be tried on charges of paying

and taking bribes. Mr Pilliteri, a member of the Socialist party, is the brother-in-law of Mr Bettino Craxi, the former prime minister sen-tenced in absentia last Friday to eight and a half years in jail in another corruption case. A Rome judge last week dropped charges against Mr Mattioli, ruling there was

insufficient evidence to try him

building of the capital's metro railway. In another development.

judicial sources said an aide to Mr Antonio Di Pietro, the country's best-known anti-corruption magistrate, was arrested at the weekend as part of Mr Di Pietro's latest

Mr Giuliano Montanari, a finance police officer, was detained as part of an investigation into bribes paid by businessmen to the force in return for easy treatment, the sources

Berlusconi tries to escape a web of his own making

C ilvio Berlusconi has finally Italy's PM now sees 'conflict of interest' dangers, writes Robert Graham recognised the obvious. In proposing a way to distance himself from his Fininvest ing that he does not want to compro-mise his impartiality by helping Mr member commission, composed of media empire, Mr Berlusconi has accepted that there is a serious conthe head of the anti-trust commission and the chairman of the media Berlusconi solve a problem he flict of interest between his role as watch-dog committee, plus three

prime minister and his ownership of unnamed experts Italy's second largest private busi-In tandem with the commission, an "administrator", nominated by Mr Berlusconi, would be created to ness group Even before the media magnate became prime minister, he was monitor the management and stratwarned of the potential dangers aris-ing from his conflicting interests as egy of Fininvest, with powers to approve asset disposals. The com-mission, in turn, would have the a businessman and as a politician. His sole response was to name three power to monitor all Fininvest activlawyers - one of whom had a direct ities and could reject the choice of administrator.

link with Fininvest - to prepare a report by the end of September. Now circumstances have obliged him to anticipate their proposals and propose a system of controls far more comprehensive than he would

The planned solution came on Friday, at the end of a week in which Mr Berlusconi's credibility had been seriously damaged as his business empire was placed under the microscope by Milan's anti-corruption magistrates.

The central aspect of Mr Berlus-

tional objections from President Oscar Luigi Scalfaro. The president said it was outside his competence to name, in conjunction with the speakers of the two houses of parliament, part of the five-member commission to safeguard the conflict of interest. The president appears to be hintconi's scheme is to establish a five-

ulist Northern League.

His proposals have already come

up against some hurdles and are

likely to be modified, given the oppo-

sition of his coalition partner, Mr

Umberto Bossi, the leader of the pop-

They have also run into constitu-

should have resolved before taking

Any future commission's ability to remedy the situation is also in ques-tion. The American-style "blind trust", which allows public officials to hand over the management of their assests in the form of stocks and shares, does not fit Mr Berlusconi's unusual position as owner of a complex group active in sensitive

areas of the economy.

Fininvest, with a turnover of L11,600bn (\$7.4bn) and L3,800bn of net debt at the end of 1993, is undergoing serious readjustment and requires an active management, capable of strategic decisions on growth, asset disposals and debt

While willing to allow management to operate independently under a system that offers considerable flexibility and reasonably transparent controls, Mr Bertusconi is not ready to distance himself from own-

Mr Franco Tato, who was brought in as chief executive under pressure from creditor banks last October, has been restructuring Fininvest with a relatively free hand, despite the presence of two of Mr Berlusconi's eldest children, a cousin and his closest friend on the board.

The conflict of interest has not been in the management of the group but rather in the way Mr Beriusconi has been seen to continue defending Fininvest. This situation has been further complicated by the role of Forza Italia, the political support movement backing Mr Berlusconi. It has

been funded in part by the Fininvest empire and is run almost entirely by people who were employees until three months ago. One of Forza Italia's most powerful figures is Mr Marcello Dell'Utri, the head of Publitalia, the group's advertising arm. Mr Berlusconi also hangs on to his team of ex-Fininvest associates in the cabinet, all of

whom have a stake in the fortunes

Previti, his lawyer, to be justice min-

ister and only switched him to the defence portfolio after objections about a conflict of interest. Apart from those conflicts of interest which have already emerged,

plenty of others loom ahead. For example, Fininvest's three TV channels control 80 per cent of commercial television and could be direct beneficiaries of any change in status of the loss-making RAL, the state broadcasting organisation; the liberalisation of state-run telecommunications could countenance the use of telephone lines for TV image transmission as canvassed by Fininvest; Fininvest's life assurance business stands to gain from new

legislation on pension funds.
With so many potential conflicts of interest, an active impartial commission would slow the business of a

Berlusconi government. The existence of the impartial body will allow Mr Berlusconl's coalitition partners a constant opportunity to refer government policy to the commission by by appealing against a conflict of interest. This, in turn, risks placing an unfair "political" burden on the commission. President Scalfaro is believed to have voiced such a concern.

In saying he is willing to distance himself from Fininvest, Mr Berlusconi has ruled out the idea of placing his share of the business in a trust or foundation for his five children. The tax on such an operation would reportedly be punitive. But even on Friday he still refused to give details on the proprietary shares held by different members of the family.

Fininvest, founded in 1978, has an ownership structure geared to limit tax liability. Through 22 "box" companies, the family owns 51 per cent of Fininvest directly and the remain der through two fiduciaries. Servizio Italia and Sal, set up by the Social-

ist-controlled BNL bank. Mr Berlusconi has never said how much he personally owns of the empire he founded, or what links remain between Fininvest and the construction and newspaper interests hived off to his younger brother.

Paolo, in 1992 for anti-trust reasons Thus Italians do not know what exactly Mr Berhisconi is distancing f from, even if they take his

Rabin urges Syria to make peace move

and Julian Ozanne

Mr Yitzhak Rabin, the Israeli prime minister, yesterday urged Syria to make the next res towards peace in the Middle East, renewing his calls for direct negotiations with the Syrian leadership and for a public gesture to persuade the Israeli public that Damascus was serious about reaching a

His remarks followed a summit in the Egyptian resort of Taha with Mr Hosni Muharak, the Egyptian president, who recently returned from talks in Damascus with Mr Hafez al-Assad, the Syrian leader.

Senior Egyptian officials have recently played down Cairo's role in the Syrian Israell track of the peace talks, saying it would be "detrimental" to open too many channels of negotiation.

The sole forum for talks between the sides at present is the energetic shuttle diplo-macy of Mr Warren Christopher, US secretary of state, who is due back to the region on August 8.

Talks between Syria and Israel have remained locked over the issue of the Golan Heights, from which Syria is seeking a full military withdrawal. Israel in turn wants Syria to open full trade and

Mr Mubarak told reporters that Syria would "never accept any peace treaty unless there total withdrawal from the Golan Heights", repeating Mr Assad's crucial position in the talks with Israel. However, the Egyptian president also said that he believed Mr Assad would prove "much more flexible" during Mr Christopher's next visit, though he declined

Mr Rabin, who had come to "exchange perceptions" with Mr Mubarak, according to Israeli officials, reiterated his frustration at Syria's unwillingness to meet Israelis directly and renewed his call for high-level talks.

He said he understood that israel would have to satisfy "a peace but said that the Israeli



Rabin, left, and Mubarak meet in Taba yesterday

people first required a clear signal of Syria's peaceable intent, and that he could not discuss the extent of an Israeli withdrawal from the Golan eights until "I know what I get in return.

He said: "Syria has to do something in its public diplomacy, its public utterances that will bring the Israeli pub-lic to be convinced that Syria is eager to have a peace."

The two leaders said they also discussed the highly sensitive issue of Jerusalem - a matter which was also central to talks Mr Mubarak held with King Fahd, the Saudi Arabian leader, during a weekend trip to the Kingdom.

Both leaders emphasised that the final status of Jerusalem would be addressed only in permanent status talks with the Palestine Liberation Organisation, which are due to begin in no later than two years. Mr Rabin stressed that the recent acknowledgement of the special guardianship of King Hussein of Jordan over Jerusalem - a matter deeply controversial with both the Palestinians and

not changed arrangement the city which had existed for the past 27 years. Meanwhile, thousands of

south Lebanese left their homes yesterday fearing an Israeli strike against Herbollah targets in retaliation for the recent spate of anti-Jewish bombings. Officials with Unifil, the

United Nations observer force in the south, said as many as 15,000 people – around 5 per cent of the population – had left during the past week but said life continued largely as normal for those who had

In Beirut, pro-Iranian Islamic militants said they would bombard settlements" in northern Israel if the Jewish state launched retaliatory attacks in the south

This week marks the first anniversary of "operation accountability" during which Israel bombarded south Lebanon for a week in retaliation for Hezbollah rocket attacks into north Israel. More than 120 people died in the bombardment and 800,000 south Lebansome other Arab states - had ese fled their homes.

UN reinforcements may not arrive before deadline for France's withdrawal French may delay Rwanda pullout

By Leslie Crawford in Nairobl and agencies

Mr Edouard Balladur, the French prime minister, yesterday hinted he might postpone the departure of some 2,000 French peacekeeping troops in south-western Rwanda if the safety of civilians were at risk.

Aid agencies have been urging the French to stay beyond the expiry of their UN mandate on August 22 to prevent another mass exodus of Hutu refugees into Zaire.

Mr Balladur, who was on a visit to Goma, in Zaire, to inspect the pullout of troops, said: "If we felt our action [withdrawal] could make the situation more fragile and cause new unrest, a new exedus, that would certainly weigh upon our decision." He was speaking after touring the civilian safe havens created by France's Operation the August 22 deedline. "Rwands may Turquoise in Rwanda.
The Tutsi-led Rwandan Patriotic

Front, which took power in Rwanda two weeks ago, claims sovereignty over the French-controlled territory but has avoided entering the area so as not to sow panic among the 2m Butus who have sought sanctuary in the French zone. The RPF has, however, asked the French forces to disarm Hutu militia and former government soldiers who have taken refuge behind French lines.

South-western Rwanda was the scene of some of the worst massacres perpetrated by Hutu extremists against the minority Tutsi community. Fewer than 12,000 Tuisis survive in an area where more than 100,000 once lived.

UN officials believe reinforcements from other countries are unlikely to arrive in time to replace the French by

suffer another humanitarian catastro-phe unless the international community can pull itself together in the next few days," Mr Peter Hansen, UN undersecretary general for humanitarian affairs, said in Nairobi. He said the response of western countries to a UN appeal for an enlarged peacekeeping operation in Rwanda had been

Goma was chosen as the main be for France's Operation Turquoise but the intervention has been eclipsed by the needs of 1.2m Hutus who invaded the border town following the RPF victory in Rwanda. Mr Balladur confirmed that France would leave logis-tics units in Goma to support the relief

Mr William Perry, the US defence

Goma yesterday to step up US assis-tance to hundreds of thousands of Hwandan refugees at risk from cholera. dysentery and starvation. He inspected a US water purification plant on the shores of Lake Kiva, which is only operating at half capacity because there are not enough tankers available to deliver clean water to the camps. Mr Perry also visited Kigali, the Rwandan capital, where US troops are set to start a round-the-clock airlift for the Rwandan refugees

"We should be able to more than double the flow almost immediately of supplies into Goma by using the Kigali airport," he said. He is expected to report on the aid effort to President Bill Clinton, who asked Congress on Friday to provide an additional \$320m (£206m) for Rwanda's humanitarian

Mr Wallis believes fewer

than 200,000 refugees will leave

Zaire of their own accord. The

majority will become perma-nent exiles, a hostile and desta-

bilising force surrounding the

equipped to deliver services

even to the few thousand refu-

new Rwanda.

RPF keen to establish credentials

nglish phrase books are much in demand in francophone Rwanda these days as job prospects with the new government may hinge on whether the candidate masters the language of the country's new rulers, the Rwandan Patriotic Front.

Because the RPF recruited extensively among Tutsi exiles living in Uganda to launch the guerrilla war that brought it to power, it has been easy for the ousted Butu regime to portray the RPF as a foreign occupation force.

Gen Paul Kagame, the RPFs military commander, speaks no French, and cabinet meetings are reported to be held in English for his benefit.

The language barrier is only one of many difficulties facing a two-week-old government desperate to establish its legitimacy, both at home and abroad. Despite the presence of Hutus in prominent posts, and a discourse of national unity, Rwanda's new leaders have not been able to dispel fears amo the majority Hutu population that they will run a govern-ment by and for Tutsis, in a throwback to Rwanda's feudal

But the international community, which watched the genocide of Rwanda's Tutsi population in silence, is now egger to help without asking too many questions of the new

WIRELESS ACCESS SOLUTIONS

Rwanda's rulers must rebut claims they are a hear their testimony. Hutus foreign occupation force, writes Leslie Crawford

regime. The UN has launched a \$435m (£280m) appeal to assist Rwanda's reconstruction and alleviate the plight of 2.5m Hutu refugees who fled in fear of RPF reprisals

The US is set to launch a round-the-clock airlift operation to bring food, medicines and water to the cholera-ridden refugee camps in Goma, Zaire. Britain has volunteered to increasingly uncomfortable with the presence of mass murderers among the refugees they are trying to help. "Unless the international

community takes steps to bring those responsible to justice, we will be accessories to their crimes," says one frus-trated aid official. According to confidential UN reports, Hutu extremists have also taken control of Benaco camp in Tanza-

experts, military intelligence analysts, and prosecutors who have dealt with war crimes in the past," says Ms Karen Kenny, the field officer. "If we don't address the issue of genocide, how can we ask the RPF to uphold international standards of justice?"

Already there are fears the new government may not be able to balance the demand for justice against the need to pro-

gees who have begun the return journey home. Cholera has taken hold in Kigali, and dysentery may soon follow. The capital has only one fully functional hospital, run by the International Committee for the Red Cross, Power, water

and telecommunication services have not yet been "Rwands has a government. but it does not yet have an administration," says Mr Peter Hansen, the UN under-secretary general for humanitarian affairs. Most ministries consist

> no experience, he says. The UN Development Pro-gramme is looking at how to put together a "government kit" which would give the RPF a working administration. Mr Charles Petrie of the UN Rwanda Emergency Office eaid: "We are planning to draft experts from all over Africa who know how to rebuild a country from scratch."

of the minister and three or

four civil servants with little or

The government must balance demand for justice in the wake of half a million deaths with need for reconciliation

roads and bridges. Germany has offered to donate fully equipped radio stations to enable the RPF-led government to broadcast its message of reconciliation to the masses huddled outside its borders.

The RPF knows that unless it can convince the Hutu population to return, its chances of restoring stability to Rwanda

No one is more aware of this than the defeated soldiers and militia of the former Hutu regime, who are threatening to kill anyone who dares leave Zaire's hellish retuges camps. UN relief officials are nia, the home of 430,000 Rwandan refugees. Relief workers who tried to expel the extremists were physically threatened. and had to leave Benaco them-

The UN has appointed a special rapporteur on human rights to document abuses in Rwanda. But Mr Rene Degni-Segui is still waiting for the resources with which to carry out his job.

He has been allocated only one field officer to investigate the circumstances in which more than 500,000 people died. "We need investigative judges, forensic experts, ballistic Mr Degni-Segui is alarmed at reports of RPF forces carrying out summary executions in Kisali. Other UN officers say returning refugees are being herded into RPF-controlled

"Rutus believe the new government's entreaties are a trap, and that they will be masses cred if they return," says Mr Stewart Wallis, overseas director of the British charity Oxfam. "Unless we have human rights monitors to accompany them, aid stations along the route, and interna-tional jurors on the ground to

How To Provide PHONE SERVICE IN YEARS.

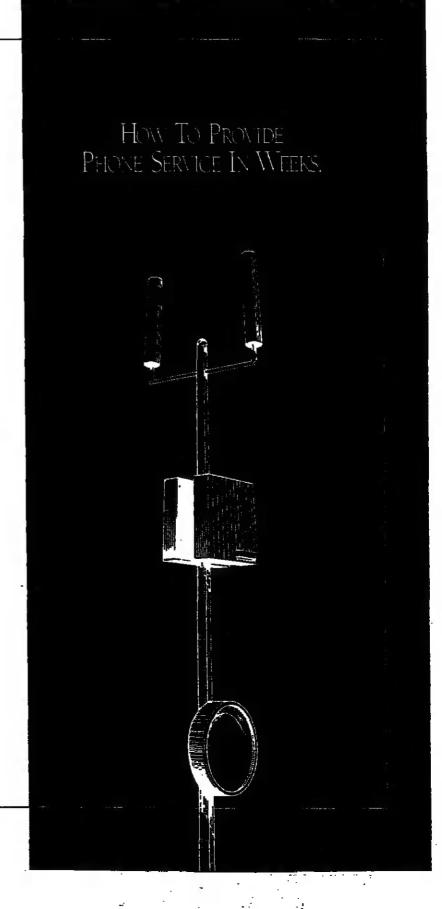
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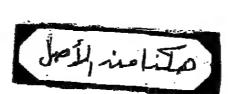
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INTERNATIONAL NEWS DIGEST

Beijing to slash

China will slash steel production by 1m tonnes this year in an effort to bolster a sagging market. It is also reezing imports, but is yet to announce details of new import quotas.

The official Business Daily reported that the government would also purchase rolled steel for its own reserves to

Chinese steelmakers are facing a crisis, with demand faltering due to a cut in construction. Low-priced imports from Japan and South Korea are

China plans to produce 93m tonnes of steel this year which would make it the world's biggest producer. At the end of May, stockpiles of steel had risen to 4m tonnes, a 191 per cent increase over the same period last year. Imports of steel in the first six months reached 10.68m tonnes in suite of import curbs.

Talks between Japanese steel producers and a Chinese government import agency col-lapsed last week on the issue of price and export levels. The Japanese are threatening to export directly to Chinese con-

US takes hard line on 'dumping'

Hopes raised by Uruguay Round may be dashed, writes Nancy Dunne

ne achievement of the Uruguay Round was agreement on tighter restraints on dumping and countervailing duty laws - actions that have increasingly become weapons of choice for companies seeking protection from foreign imports.
But countries that thought their prod-

ucts would get a fairer deal in the US, as a result, may have under-estimated the resourcefulness of US trade lobbyists. A word here, a phrase there, inserted in the implementing legislation for the Uruguay Round, means that foreign steel exporters and other indus-tries selling in the US market could still find themselves subject to "unfair trade" complaints and years of expensive litigation before winning market

access for their products.

A senior Administration official last week insisted that the US would abide by the accord it signed in Marrakesh, setting the seal on the global trade lib eralising measures agreed in the Uruguay Round negotiations within the framework of the General Agreement on Tariffs and Trade.

nt with the Gatt agreement is the right to have effective antidumping and countervailing duty laws," the official added.

Mr Gary Horlick, a Washington trade lawyer representing a large group of manufacturers, said that US exporters were worried about "anything the US does which increases the likelihood of trade barriers".

Such action, he said, "can and will be used by other countries against our exports - and the US government will not be able to defend us," he said. A rewrite of the US trade rules to

committee soon will meet to resolve differences in the implementing legislation written in the House by the Ways ate by the Finance Committee. Then the entire implementing legislation will be on a "fast-track" for Congressional

The US has doubled anti-dumping duties on imports of Mexican ceme despite a Gatt panel ruling that the duties are illegal, Mexico told Gatt's anti-dumping committee last

The US has refused to accept the ruling, which dates from July 1992, writes Frances Williams in Geneva. The independent panel said in its report that the procedures used by the US authorities to determine dumping in this case breached Gatt rules. The panel recommended that Mexican exporters should be refunded the anti-

approval. The Administration will send it back to Congress for a simple vote, with no amendmend allowed. Trade lawyers from both sides of the me have been fighting tooth and nail

for months.

Before the ink had dried on the larrakesh accord, the Committee to Support US Trade Laws had sprung into being. "We do not intend to stand by passively and allow our market to be eroded by dumped, injurious imports at the expense of our workers and companies," said Mr Joseph Avento, chairman of Specialty Tubing Group, and a mem-

Mostly the committee aought to limit the "damage" inflicted on US trade laws by pushing loopholes in the Gatt agreement to - and beyond - their limits.

government to repay US petitioners for the cost of their legal fees out of dumping or countervailing duties col-

On the other side, exporters and

importers of steel, textiles and other products banded together to demand

dumping duties already paid. Instead, Mexico said the duties had twice been increased from their original level of 30.74 per cent to 61.85 per cent in May this year.

Urging adoption of the report, Mexico said there was currently a shortfall in domestic US cement production. This, and the consequent high prices, had prompted the National Association of Home Builders, repre-senting 175,000 building companies in the US, to ask Mr Mickey Kantor, US trade representative, to repeal the duties.

that the Administration honour both the letter and spirit of Marrakesh - not incidentally because US companies have become the most frequent targets

of foreign anti-dumping actions.

The Administration rebuffed the most protectionist proposals from Congress, but added some new ones of its own. Free traders were particularly outraged about defeat of a provision that would have allowed the waiver of antidumping and countervailing duties, for products in short supply, In this case the Administration joined

forces with the Committee to Support US Trade Laws because, according to a senior official, high duties do not prohibit supply - they simply make it cost

legislation likely to pass would allow

Office reints on the rise

to compensate for subardies given to businesses – such as British Steel – even though they were later privatised

Another provision provides a formulato determine the market share of for-

eign companies, which would increase the likelihood of the international

Trade Commission ruling that a US

company has been injured by dumping

exporters, says there are more than 24 violations of the Gatt pact in the imple-

menting legislation. These are likely

ultimately to be challenged under the

new World Trade Organisation (to

replace Gatt), and if the US is found in the wrong, it will have to either amend

its law or pay compensation. That could

mean one industry would have to pay for the protection granted another.

Mr James Currie, deputy chief of the European Union delegation, expressed concerns about protectionist tendencies

"Some of the language going around at the moment would simply make it impossible for goods – and particularly

steel – to get access and compete fairly in the US market," he said. But he is "relatively content" that the Clinton

administration will try to do its best to

resist Congressional pressure.

That the EU is not complaining more

could be an indication that its own implementing legislation is by no means free of protectionist distortion,

in the end, both the US and the EU

US finds

The Federal Communica-

First under the hammer

after five days and 47 rounds.
It outbid 26 competitors to

acquire three licences - the

maximum permitted for single

ownership - bidding \$80m for

each of two frequencies allow-ing the greatest capabilities and \$37m for a smaller band.

Capability is determined by

KDM Messaging Company – backed mainly by US cellular giant McCaw Cellular Commu-

nications – bought two of the five biggest bands at \$80m each, while Nationwide Wire-

less Network grabbed one at the same price and another for

bend width.

ion avetems. Paging Network of Virginia

could suffer as governments in the rest of the world demonstrate that, where

in Congress

said one observer.

The ProTrade Group, a group of

and sold at market value.

China to rein in borrowing as foreign debt rises

China is to clamp down on foreign borrowings to avoid debt service problems, following a central bank survey that found foreign debt would rise to \$100bn (£84.5bn) by the end of the year. The official Xinhua news agency yesterday quoted an official of the State Administration of Foreign Exchange Control (Safec) as saying it was "time for China to limit its foreign borrowing and use as much direct overseas investment as

Safec announced last month that China's foreign debt at the end of 1999 had risen to \$83.5bm. Its debt/service ratio was 7.7 per cent. China will pay \$20hn this year in principal and interest to service its foreign debt. Safec estimates the "debt

repayment peak" will last for another 3-4 years.

Mr. Tang Sining, a senior Safec economist, said foreign debt had "expanded a bit too fast" in recent years. "It really deserves our attention that growth of external debt has outpaced that of the national economy," he said. China announced recently that its foreign exchange reserves rose 50 per cent during the first half of the year to \$31.8bn. Slower growth in imports contributed to the improvement in China's reserves. Tony Walker, Beijing

Philosopher heads party

Mr Rocco Buttiglione, the philosopher admired by Pope John Paul II, has become the new leader of Italy's Popular party (PPI), heir to the long-ruling Christian Democrats whose party was dissolved in January. He was elected in a bitterly con-tested run-off against Mr Nicola Mancino, the former interior minister, winning 55 per cent of the votes at the end of a special congress late on Friday. Mr Buttiglione, aged 46, has been in active politics for only a year and made his reputation with his philosophical writings about the relationship between Christianity and Marxism. His victory represents a defeat for the left wing of the party. Mr Buttiglione was one of those who argued the PPI should consider an alliance with Mr Silvio Berluscom's Forza Italia after the March general elections. But with the Berlusconi government now weakened, he is unlikely

Mr Buttiglione's task will be to forge a new identity for the PPI, which was born from the demoralising collapse of the discredited Christian Democrats. Mr Mino Martinazoli, who engineered the transition from the old to the new party, igned in April after the PPI had been squeezed between the left and right in the elections. Robert Graham, Rome

Delors strong in French poll

Mr Jacques Delors, outgoing president of the European Com-mission and leading Socialist contender in the French presi-dential race, could beat Mr Jacques Chirec, the centre-right leader and mayor of Paris, in next year's presidential elec-tions, but would lose to Mr Edouard Balladur, prime minister, according to the lettest extrains well.

eccording to the latest opinion poll.

The poll commissioned from the IFOP research consultancy for yesterday's Journal du Dimanche newspaper, puts Mr Belladur in first place in the presidential stakes, with the support of 17 per cent of the public, followed by Mr Delors with 14 per cent and Mr Chirac with 11 per cent. Mr Bernard Taple, the beleaguered left-winger whose furniture last week was confiscated by his bank, has held on to fourth place although the flood of publicity over his financial problems now seems to be affecting his popularity. Support for Mr Tapie has fallen to 7 per cent from 10 per cent over the past month, according to the poll. Asice Rousshovn, Puris

Accord on Black Sea fleet

The presidents of Bussia and Ukraine yesterday said they planned to sign a new agreement on the Black Sea fleet which would settle its disputed future. "We are determined to conclude talks on the Black Sea fleet as soon as possible and to fraternal Russian and Ukrainian nations," said Mr Boris Yelt-sin and Ukraine's newly elected Mr Leonid Kuchma in a joint statement reported by Rar-Tass news agency.

The row over ownership of the 800-vessel fleet is one of several that have troubled relations between Russia and Ukraine since break-up of the Soviet Union in 1991. Mr Yeltsin told Mr Kuchma soon after his victory over President Leonid Kravchuk that he hoped his election would lead to an improvement in ties between Moscow and Kiev. Mr Kuchma said during his campaign Russia should be granted a lease on the Sevastopol naval base in the Crimes. Reuter, Moscow

Carbon emissions show decline

World emissions of carbon dioxide from energy use, thought to be the main cause of global warming, have begun to show a slight decline, according to the London-based World Energy Council. In a report to be published shortly, WEC says that CO, emissions were equivalent to 6.09bn tonnes of carbon last year, down from 6.1050n in 1992. The fall was five mainly to a sbarp decline of 249m tonnes in emissions from the former communist countries of eastern Europe. This more than offset Asia-Pacific region.

Emissions were also up in North America, the Middle East and Africa. But they were down in western Europe, mainly because of reduced coal consumption in Germany, the UK and italy. The WEC says the declines in Europe may be temporary because the continent is moving out of recession. Nevertheless, the figures "reinforcs the view that increases in carbon dioxide have been partly reversed, and atmospheric concentration increases have recently slowed down". The report says the Asia-Pacific region will have to be the focus of future efforts to reduce emissions. Danid Lascelles, London.

Swiss braced for scandals

Law-abiding Swiss are bracing themselves for further news of corruption. Mr Hansridi Müller, the Zurich prosecutor, said in an interview in the Sunday newspaper Somntags Zeitung that he was "almost certain" at least one more case would be uncovered this year. Two new cases of public sector wrong-doing emerged last week. Five Swiss government internal auditors are under investigation on suspicion of taking money in return for favours to government suppliers.

Meanwhile, three Zurich motor vehicle bureau officers are

under arrest for having taken small bribes to issue incomplete vehicle registration papers. These papers enabled the recipients to falsify documents on used cars exported to Africa. Two weeks ago, formal charges were laid against eight people, including a prominent magazine publisher, for allegedly brib-ing Mr Raphael Huber, Zurich canton's former restaurant and har inspector. Two weeks ago, the head of a corruption ring in Fribourg who had bribed the canton's finance director and police chief was sentenced to 27 months' jail. Ian Rodger.

Yemeni victors confident

The Yemeni government yesterday denied talks held in Geneva last week with its defeated southern rivals had any official status, saying the meeting was only to clarify its own position with the UN. But UN sources said the two sides met in a good atmosphere and agreed to further talks. Yemeni officials on Saturday said their negotiators had gone to the talks to underline earlier demands for the UN to end its efforts at mediation since the country's civil war was over. They insisted any further talks be held in Yemen without outside involvement. Mr Lakhdar Brahimi, the UN mediator, last week said Thursday's meeting ended with both sides agreeing to pursue further dialogue. Yemen's civil war erupted in April Since their defeat, exiled southern leaders have used the threat of guerrilla warfare to obtain outside mediation in ending their dispute with the north. But the north, confident in its military victory over the south, has resisted external pressure for a negotiated settlement. Eric Watkins

sumers in defiance of restriccomply with Uruguay Round is drawing to a close. A House-Senate conference Far East office space shortage forces blue chips into backrooms

Victor Mallet, Tony Walker and Andrew Taylor find rents are outstripping those in the west

n acute shortage of city office space in rapidly economies has left international executives operating from converted rooms in Vietnamese hotels with less thanexotic names, such as the Army Hotel or the Government

More fortunate, or wealthier, executives are working from crumbling villas, dating back to the French colonial era. after installing electricity generators in the backyard.

Finding suitable premises to work and live is just as hard in China where large numbers of executives have been forced to work from hotel rooms and

A study by international property consultants Richard Ellis showed that office rents in Beijing and Shanghai in China and Hanoi and Ho Chi Minh City, in Vietnam are now higher than in London, Paris. New York and Frankfurt. Only Tokyo and Hong Kong have

In Beijing and Shanghai, office rents have soared by 30 per cent in the past six months as a result of the accommoda-

tion shortage. Ellis, which itself is working from converted offices in the Beiling Toronto botel in Chi-

development in emerging econ-omies has been too slow to satisfy the high growth in demand from international

Mr Toby Anstruther, Vietnam representative of property consultants Brooke Hillier Parker, says: "You have Fortune 500 companies working out of chop houses. IBM is sharing an office with a local Vietnamese

The best villas in Saigon, part of the Ho Chi Minh City, have been rented by the big Japanese trading companie which began operating in Viet-nam several years before the arrival of most of their western

Developers are building furi-ously to catch up. In Ho Chi Minh City, one block constructed by a Taiwanese developer is already open, and two others are about to be completed by Hong Kong compa-nies. A further two office buildings are under development in Hanoi by Singapore and Hong

Rents are expected to rense from about \$40 (£25.80) per square metre per month to \$55 for high-quality offices almost two thirds more than equivalent rents in mid-town

Companies and individuals in Shanghai, China's main financial centre, are expected

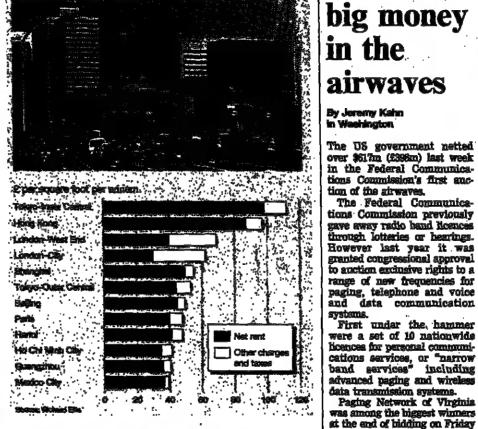
to pay a month's rent in advance just to appear on long walting lists for offices and apartments, says Mr Terry Merrifield a senior executive of Seacliff which manages the Shanghai Centre, a large hotel and office complex in demand from international companies When the centre opened in

1990, office rents were in the "high \$30s", about one-third organisations are currently on the waiting list for offices with about 50 individuals waiting for apartments which cost \$6,000 per month. Because of the housing

shortage, some organisations were delaying sending the families of employees to Shanghai. Companies also had deferred moves to the city until the accommodation shortage eased, said Mr Merrifield. Offices were expected to remain in short supply until 1997, by when "the pendulum should be swinging in the

The situation is only slightly easier in Beijing where there also are long waiting lists for prime office buildings, such as the China World tower attached to the China World

Office space at China World costs about \$85 per sq m. Reasonable accommodation, how-



\$60 per sq m per month accordhotel ing to Mr Tom Whitten, representative in Beijing of the Chi-na-Britain Trade Group (CBTG) an organisation to promote Sino-British trade.

He says companies seeking to establish a presence in China should: "come early, put names on waiting and be pre-pared for a sizeable wait in a

Hotel accommodation costs about \$100 a day in Beiling. CBTG as an interim measure offers a desk and a phone to members. There are other places in Reiting such as the

provides which short-term office space with secretarial services. Apartment rents in Beilin

range between \$5,000 and \$10,000 but there have been large rent increases in the past year as demand has risen fuelled by China's economic boom. It is a familiar story in many rapidly growing Asian ess centres.

Cities in south-east Asia accounted for eight out of the 11 most expensive office locations according to the Richard Ellis study which compared accommodation costs in 45

INTERNATIONAL PRESS REVIEW

Thais do their best to embarrass Asean visitors

By Victor Mallet

Thailand's liberal newspapers have excelled themselves in their efforts to embarrass the now not-so-liberal Thai government, which was host to the annual meeting of the Association of South-East Asian Nations (Asean) in Bangkok over the past two weeks. Visiting foreign ministers

from Indonesia and Burma were greeted with hundreds of column-inches about Indonesian brutality in East Timor, Burmese military cruelty and editorials scoffing at the notion, put about by authoritarian Asian governments, that human rights and democracy are inappropriate for Asia.

That commentators were inspired by two events: Thailand invited Mr Ohn Gyaw, foreign minister of the Burmese junta, to the Asean meeting, an honour which some editorial writers felt was scarcely deserved; and the Thai authorities made hamfisted attempts to stop an insignificant human rights conference, deporting three foreigners and harassing the participants because they



Japan's foreign minister, Yobei Kono (left), performs a Mexican dance at a dinner during the conference. More serious issues were also highlighted in the press

Thailand, said The Nation in an editorial, was foolishly giving in to the "bully-boy tactics" of Indonesia in the name of Asean solidarity. "It is high time that the regional grouping reviewed its

concept of 'solidarity'," said The Nation. "The events of the past three months clearly show that Indonesia is using Asean as its platform to impose authoritarian values over members which have different

During the May 1992 crisis, in which That troops killed 50 demonstrators on the streets of Bangkok, The Nation, an English-language newspaper, openly opposed the Thai armed forces and supported pro-de-mocracy activists. Its support

helped bring the present demo-cratic government of Mr Chuan Leekpal to power, and the paper believes it has the right to express disappointnt at his performance. Mr Chuan, the newspaper said in another editorial, now emed to think it more important for Thailand to have good relations with Indonesia than to care about human rights. On the subject of bullying,

Mr Ali Alatas, the Indonesian foreign minister, in an interview with the Bangkok Post, the other leading English-lan-guage daily, said Indonesia was not a bully - it had simply informed Thailand about the plans of some East Timor activists and had explained how offended Indonesia would be if nothing was done to stop

While English-language newspapers in Thailand represent the views of liberal academics and businessmen - half the readers are Thais - and take a close interest in international affairs, the Thai-language press tends to be more concerned by the shenanigans of Thai politicians and local

crime stories. Over the last two weeks the

on the fate of two politicians: one accused of international drug smuggling; the other, suspected of buying votes by giv-ing cash to Buddhist temples. A Bangkok Post survey of ordinary people on the streets of the capital suggested that the Thai papers were right to think their readers would not be interested in the dry affairs of Asean, "Asean? Is it a sports event? It sounds familiar," said

But the dispute over human rights prompted by the Ase meeting did generate heated debate in the Thai papers. Siam Rath (Siam Nation) and Nation Na (Frontline) both supported the Thai government's crackdown on dissidents. Thailand should not allow outsiders to use the

country as a venue for critici-

sing neighbouring states

because the national interes

Mr Sermsuk In-jan, a 50-year-

old shop assistant.

should have top priority, Siam Rath said in an editorial. Liberal commentators rejected this sort of nationalism, declaring that national pride meant standing up for what you believe in rather than allowing your policies to be dictated by the sensitivities That papers have concentrated of other governments.

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NEWS: UK

Bank of England warns on investment

By Gillian Tett, Economics Staff

The long-running debate about the "short-term" nature of British corporate sector was revived again this weekend, after the Bank of England reiterated its warnings that investment could be undermined by the high rates of return that companies are demanding on

The warning, in the Bank's quarterly bulletin, follows a Confederation of British Industry report last week, which found that most companies had not adjusted their investment assessments to take account of the recent trend of

The Bank's own report. which is based on an informal survey of 250 companies conducted in March, adds further weight to the CBI findings. It notes that over 70 per cent of firms questioned had not reduced their target rates of return, while only 25 per cent of companies had revised their investment appraisal techniques to take account of low

The main reason for this, the report says, is that most companies argued that investment decisions were affected by longer term considerations, and saw "little reason yet to adjust their longer-term tious line. Although compa-expectations of inflation nies' slowness to adjust their

UK Industrial and commercial companies are considerably more profitable now than at the equivalent stage in the previous economic recovery, writes Philip

A Bank of England study has found that pre-tax return on capital in the non-North Sea sector was 9.5 per cent in the first quarter of 1994. That was almost double that at the equivalent stage in the previous recovery of 1982-4, and compares to a trough of 6.3 per cent in the first quarter of 1992.

The study - by Mr Kleren Wright of the Benk's Structural Economic Analysis Division found that differences in profit-

rates and the cost of capital". These findings have prompted Mr Eddie George, governor of the Bank of England, to warn that companies are missing profitable investment opportunities by continuing to demand high rates of return - a view disputed by many companies and analysts themselves, who argue that high rates of return are not the only factor holding

However, Mr Andrew Wardlow, head of the Bank's conjectural assessment and projections division, and author of the report, steers a more cau-

ability, investment and financial decisions, could partly be attri-buted to the relative shallowness of the recent recession.

Retained earnings increased by over a third in 1993 when firms made net repayments of debt to banks equivalent to 1.8 per cent of GDP. in 1982, the comparable year in the previous cycle, compenies made net bor-

rowings of 2.4 per cent. The study also found that capital markets as a source of finance, Gross capital issues by industrial and commercial companies rose by 51 per cent to 223.9bn in 1993, representing 30.3 per cent of total funding.

investment criterion may undermine investment in the future, it may not have been critical to investment when the survey was conducted in March, Mr Wardlow says. "A further period of mone-

tary stability may be needed before a more fundamental adjustment in behaviour becomes widespread," he says.

The nominal rate of return on projects that companies are

currently demanding - around 20 per cent according to the Bank's survey - was not previ-ously unreasonable given that producer price inflation was running at an average of 9.5 per cent between 1970 and 1990.

Britain in brief



Excise duty on alcohol must be cut'

Britain must cut excise duties to the same levels as France in order to prevent the cross-Channel bootlegging of alcohol, says a report by the consultancy London

Legitimate cross-Channel trade in alcohol is costing Britain £300m-£400m a year, it says. Illegal trade results in further losses. An average bottle of wine costs 69 per cent more in Britain than France, while a case of beer costs 123 per cent more.
As well as hitting revenue,

the trade also limits government efforts to hiscourage alcohol abuse by raising prices. In other countries with such differentials, the high-tax country eventually had to cut rates, for example: Denmark and Germany, the Irish republic and Northern Ireland, and Canada and the US.

Cash offered not to strike

Some railway signalling staff

payments of between £750 and 2800 to work during this week's 24-hour rail strike planned to run from noon on

The RMT transport union said local managers had made the offer to individual signalmen on instructions from Railtrack, the state-owned company

responsible for running the network. Ralltrack denied that the company had authorised the offer, but said managers in the south-west had taken their own initiative.

Mr Jimmy Knapp, RMT general secretary, said: "I thought I could no longer be astonished by the antics of Railtrack in this dispute but this must take the prize for stupidity. Railtrack is offering individuals £800 to try and break the strike when putting the money on the negotiating table will go a long way to resolving the dispute."

Student loan funding review

The government is considering privatising the Student Loans Company in response to the prospect of a further Treasury eeze on funding for higher education. Ministers are considering outright

privatisation, probably via a sale to a group of banks or, more probably, the securitisation of the company's debt. Both would be designed to cut dramatically the up-front cost of the loan operation, which on present plans will rise to im next year and £900m in



was London. An increase in vessels using the ports of Tilbury and London from 44 in 1991 to 102 so far this year has been attributed to D-Day commemorations, investment in moorings and the Tilbury cruise

Blair considers M&S offer

Mr Tony Blair, new Labour leader, has cautiously welcomed an invitation from Sir Richard Greenbury, chairman of Marks and Spencer, to discuss whether the retail chain could give financial backing to the Labour party.

The retailer had invited Mr

policy and the prospect of financial backing, but they declined because of the likelihood that the party would be asked to alter policy to suit cash donors. There are indications that Mr Blair, who has spearheaded a drive to modernise Labour, could break with previous practice.

In 1993, M&S gave £40,000 to Conservative Central Office. It said it would continue to support the Tories and that supporting Labour too would not be a problem in principle.

British machine tools find market in Japan

By Andrew Baxter

A UK machine tool builder has chieved a rare success in the industry's equivalent of hauling coals to Newcastle - selling general purpose machining centres to Japan, the world's

largest producer. Helped by the strong yen and by recent productivity and manufacturing improvements Birmingham-based Cincinnati Milacron UK is undercutting Japanese rivals in their home market with its low-cost Arrow 500 machining centres – multi-function machine tools.

The Birmingham company is owned by Cincinnati Milacron of the US, but the Arrow machine, along with its larger counterparts the Sabre and Lancer, was developed and designed in the UK and is manufactured solely at Birming-

The Arrow 500 was launched earlier this year in Japan at a price of Y7.8m, which is understood to be at least 20 per cent cheaper than rival Japanese

Mr Mike Colvin, the UK com-pany's export sales and marketing manager, said a couple of dozen machines had already been sold in Japan, and he had been "absolutely astounded" at the response from both big names such as Japanese motor manufacturers and smaller engineering companies. Trade between the UK and

Japan in machine tools is normally a very one-way affair. Japan was the higgest importer of machine tools into the UK last year with sales of £90m, down 35 per cent on 1992, but UK exports the other way were just £4m, down 45 per cent. nises the need for stronger pro-Last year Japan was only the 21st biggest export market for UK machine tools. tection against criminals, ter-

Mr John Bloxham, managing director of the UK company, said the Arrow had been an "absolute mindblowing" success since its launch. The machine was first shown at an exhibition in Germany last September. Overall production of machining centres at Birmingham would double this year to more than 1,000 units, of which Arrows would account for about 40 per cent.

One communications regulator urged

governing UK broadcasting and telecommuni-cations will need a radical overhaul to manage the growth of advanced "superhighway" services, according to Sir Iain Valiance, chairman of British Telecommunications, writes Andrew Adonis.

Sir lain called for one "communications regulator" as the telecoms, computing and broadcasting industries converge, in place of the existing array of regulators in each sec-

He also called for cable operators to be subject to the same regulatory curbs as BT. Cable operators compete with BT to

telecoms, TV and advanced inter-active services.

Sir Izin said the "ideal" regulatory structure would take on the functions of Oftel, the telecoms watchdog the Indepen-dent Television Commission, which oversees part of the broadcasting industry; and the regulatory duties of several government departments.

Sir lain said the move might be driven by changes outside the UK, pointing to the EU Bengemann report on Euro-pean "superhighways", which raised the prospect of an EUwide regulator. Supporting a recent sugges-

director-general of Oftel, Sir Isin said that when the price cap on BT retail prices expires in 1997 it might be replaced with price restrictions on BT's network charges but freedom for BT to set retail Mercury, BT's main competi-

fifth of the market for international calls, where the case for ending BT's retail price cap is particularly strong. Sir lain called for such a regime to apply to all telecoms operators with networks. "rather than one which treated

access to on privileged terms". That raises the prospect that BT might seek to retail services across the networks of other operators, particularly those of cable operators, who by 1997 will have several million subscribers and be offer-

ing inter-active services. tor, already has more than a In a warning to Oftel, Sir lain said there was a "paradox" that in spite of the steady rise of competition in UK telecoms, "the degree and nature of the regulation is more intrusive than before" He likened regulation to scaffolding, which should be taken down when its job was finished. BT's network as a guasi-public

'Fortress Europe' visa plans criticised by Lords

The European Commission is accused of exceeding its powers by seeking to impose new visa requirements amounting to narrowing the drawbridge to "fortress Europe", by a House of Lords report published

today, writes Ivor Owen. Citizens of Commonwealth countries currently entitled to make "short-stay" visits to the UK would be affected by a proposed regulation establishing one EU-wide list of countries whose nationals would require visas to visit any EU state.

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The report also advocates stronger safeguards to accompany a blanket ban on undesirable immigrants throughout the European Union. Under a new external frontiers convention any person named on a joint list would be barred from

all 12 member states. The new regime would to ensure, for example, that a person deported from France Frankfurt or Brussels. While the committee recog-

would not be able to travel back on foot or by car via

rorists and illegal immigration it warns that mistakes could arise through personal malice or computer error. It recommends "an effective remedy" against unfair exclusion. In a recommendation which runs counter to UK govern-

ment policy, the committee argues that the jurisdiction of the European Court of Justice should be extended to settle disputes arising from the proposed convention.

STATE HOLDING COMPANY

PUBLIC ANNOUNCEMENT

Banque INDOSUEZ Hungary Ltd., as advisor, acting on behalf of the State Holding Company, is launching a two round open tender for the sale of a proportion of the state-owned shares and subscription for newly issued shares of the

Hungarocamion International Road Transport Company Limited

The capital structure of the Company as of 31st December 1993 is: (HUF thousand)

5,230,000 registered capital: capital reserve: 4,115,453 retained earnings: 17,530 -516,558 Balance sheet profit:

The ownership structure of the company is:

96.61% State Holding Company: Municipalities 3.39%

According to the Law LIII/1992 of Hungary 25% + 1 vote has to remain permanently in the possession of the State Holding Company.

- equity shares, each of the face value of HUF 10,000, totalling a face value of HUF 2.667.300.000 and representing a 50+1% voting ownership.
- Offers which do not cover the whole block of the 50+1% of shares will not be accepted.
- newly issued shares

Shares on offer:

\$.

The State Holding Company will give preference to investors who are prepared to subscribe for at least HUF 1.5 billion of increased capital.

A detailed description of the conditions of the tenders can be found in the respective tender documents.

For further information contact:

Mr István Salgó Banque Indosuez Hungary Ms. Zsuzsa Fózó (361) 266 54 56; 266 83 83; 266-8090 Telephone: (361) 266-5231 Fax: Péter Bádonfai Name: State Holding Company (361) 267-6600 Telephone (361) 267-6673 Fax: Benedek Belecz and (361) 267 6600 Telephone:

Please note that an information memorandum and tender documents will only be made available against the payment of \$500 and signature to a confidentiality letter. This documents does not constitute or form an offer to sell or solicitation of any offer to purchase any securities and

is not for distribution in the United States. The offer will be made by way of invitation to tender only and no circulation of any proposition or tender will be made in the United Kingdom. The tender documents are not available to private supplying or to any individual unless an expert investor or a representative of a corporate entity.

INVITATION FOR BIDS



(INTERNATIONAL COMPETITIVE BIDDING)

BID NO. JWC/94-95/01

FEASIBILITY STUDY FOR IRAN-INDIA NATURAL GAS PIPELINE

The Governments of India and Islamic Republic of Iran have entered into an understanding to jointly study the Iran-India Gas Pipeline system for transportation of natural gas from southern gasfields in Iran to northwest coast of India. The Joint Working Committee (JWC) comprising representatives of National Iranian Gas Company (NIGC), Tehran and Gas Authority of India Limited (GAIL), New Delhi, hereinafter called "Employer", invite sealed bids in single stage and two envelope system for the services detailed below from competent agencies with technical and financial capabilities fulfilling the qualifying requirements stated herein.

1.0 SCOPE OF SERVICES The scope of services involve a techno-economic feasibility study of the project including gas processing, data acquisition, minimum offshore survey, basic engineering, route selection (onshore and offshore), process optimisation, operation and control systems, cost engineering, economic analysis, and related activities as detailed in the bid document.

2.0 QUALIFICATION REQUIREMENTS

Bidders who intend to participate should have successfully completed during the previous ten years similar feasibility studies including gas treatment plants and gas pipeline projects of 30 inch and above dia, at least 500 km onshore, and at least 100 km offshore at depth more than 200 M. The qualifying lengths of pipelines may have been achieved on cumulative basis on different projects.

The bidder should have carried out the feasibility study of at least on such gas treatment facility including gas sweetening, dehydration and dew point control for a quantity of at least 15 MMSCMD gas. In case bidder does not have such experience, he may associate with another agency fulfilling the requirement.

The annual financial turnover of the bidder should be more than the equivalent of US Dollars three millions only during any one of the previous three financial years.

3.0 PLACE OF SALE OF BID DOCUMENT

Director, International Affairs, National Iranian Gas Company No. 16, St. No. 10 Ghaemmagham Farahani Av.,

5.0 SALE PERIOD:

1LO BID BOND

Teheran, IRAN 4.0 COST OF BID DOCUMENT The Bid Documents can be obtained from the above addresses after payment of the cost. This amount is non-refundable.

Gas Authority of India Ltd 16 Bhikaiji Cama Place New Delhi INDIA

US Dollars Two Hundred

September 12, 1994

ISTAMBUL/TURKEY

Tehran and New Delhi

day from August 1 to 28, 1994

10.00 Hrs to 15.00 Hrs on any working

Latest by 15.00 Hrs on October 3, 1994

Director (Projects)

6.0 ISSUE OF BID DOCUMENTS Bidders may purchase the bid document on submitting a written request on bidders letterhead, and collect the bid documents from the place of sale.

7.0 DATE AND PLACE OF PRE-BID CONFERENCE

8.0 PLACE FOR BID SUBMISSION 9.0 SUBMISSION AND OPENING OF BIDS

> 9 MONTHS after placement of TOI USD 25,000 along with the bid.

12.0 GENERAL REQUIREMENTS

Bid documents are non-transferable.

10.0 COMPLETION SCHEDULE FOR STUDY

b. The Employer reserves the right to accept any bid and to reject any or all bids without assigning any reason.

c. The Employer shall not be responsible for any delay, loss or non-receipt of bids. Telex/Telefax/Telegrahpic offers shall not be accepted.

Director, International Affairs

NIGC, IRAN

Chairman GAIL, INDIA

enchmarking - the practice of comparing business practices between companies - has come of age in the UK. More than three-quarters of the UK's top 1,000 companies claim to use benchmarking to assess and improve their performance, according to a recent Gallup survey.

Such findings should perhaps be treated with caution. The success of management fashions is often exag-gerated by the efforts of publicityseeking pioneers, business-hungry consultants and the natural unwillingness of managers to admit to pollsters that they are neglecting state-of-the-art management prac-

Nonetheless the benchmarking success stories are the stuff of management textbooks. Rover halved its test times after benchmarking against Honda Lacas Industries cut the number of shopfloor grades four-fold following a benchmarking exercise against a German plant. British Rail cut the time taken to clean a train to eight minutes after benchmarking against British Air-

But despite the enthusiasm about benchmarking, there is little con-sensus about how best to do it. Even the meaning of the term causes "considerable confusion", according to the Gallup survey, conducted on behalf of Coopers & Lybrand and the CBI. Knowing where to start can be daunting for newcomers, particularly if they are unwilling to spend large sums on management consultancy.

The old hands make it sound

easy. "Benchmarking is so simple. It is just like a business meeting. The most effective benchmarking is to sit with another professional and talk," says Shaun Pantling of Rank Xerox, a subsidiary of Xerox, the US copier company which pioneered

benchmarking in the early 1980s. When Rank Xerox decided to improve its call handling, it approached companies with a strong reputation for answering calls quickly such as the RAC and British Gas. "We have re-engineered our call handling as a result," says

British Airways also makes benchmarking sound simple. When it wanted to improve the service on its frequent-flier programme, it visited the Oriental Hotel in Bangkok - renowned for pampering its guests - to pick up tips on how to record details of its customers' preferences. When it wanted to improve its passenger handling areas, it analysed its weak points and then studied some of its rivals.

Benchmarking against a company which appears to be the best at a particular activity is the most popular option for large, confident com-panies. "If you benchmark against mediocrity, you end up with medi-

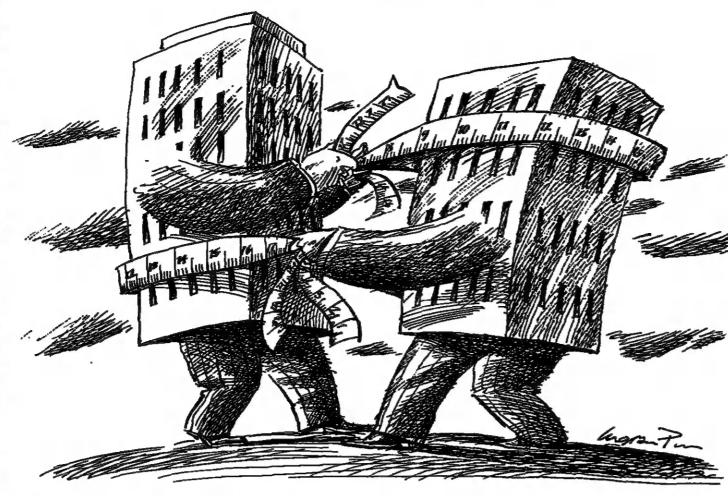
ocrity," says Pantling. But it is not necessarily the best option for smaller, less experienced companies. Studies in the US, Japan and Germany have found that inexperienced companies which try to match the techniques of world-class performers often make things worse

by trying to do too much, too soon. in any case, small, obscure companies are generally unable to ask leading companies to benchmark with them. "A small, not wellknown company would find it difficult to knock on Marks and Spei cer's door and say 'will you benchmark with us'. It tends to end up

Growing numbers of UK companies are turning to benchmarking

to improve their performance, explains Vanessa Houlder

Measuring up to success



with small and medium-sized companies benchmarking with each other," says Graham Whitney of

Coopers & Lybrand.
One solution to the problem of finding a benchmarking partner is to join a club or network. Over the last 18 months, a number of these groups has sprung up to provide companies with a pool of willing partners.

The main disadvantage of a club is that it tends to restrict the number of potential partners. But even experienced benchmarkers, with large networks of contacts, find that belonging to a club makes benchmarking simpler. "There are a lot of advantages of a club when it comes to finding the right contact within an organisation," says Barry Povey, a quality management consultant at

Most of the large management consultants also have benchmarking divisions, which draw on their large client bases for potential partners. Price Waterhouse, for instance, runs a Customer Excelhas 45 members.

marking clubs is run by trade associations. The British Footwear Manufacturing Association has organised two clubs to look at factory performance and pre-production engineering and design.

Many were started as a result of the DTT's Benchmarking Challenge, which last November awarded £500,000 to 13 trade associations to set up benchmarking clubs. These clubs generally focus on providing industry trends; firms tend to be reluctant to divulge information on their processes to competitors.

chmarking against other companies in the same industry is the most popular form of benchmarking, practised by 80 per cent of large companies, according to Gallup, But the information offered is usually limited and it rarely helps companies identify radically innovative

More often, clubs offer companies the chance to benchmark against companies in other industries. For example, the Benchmarking Centre, which was set up in Hemel Hempincluding SmithKline Beecham, Another large group of bench- TSB, IBM and ICL. The centre puts with complexity, staff turnover miss as "industrial tourism".

companies together in pairs or in groups to examine issues such as management information systems. supply chains, customer satisfaction, human resources and produc-

Both the management and the members of the club say its strengths lie in the loyalty and support that members can give each other. "It is a place where we can go for help, where we can go for information, where we can go for likeminded companies which will share information and results," says Gordon Cossar of Dexion, a shelving manufacturer.

et finding a willing partner is just part of the battle. A problem that has dogged benchmarking from its inception is whether the comparisons of particular activities between

companies have any validity. Even apparently straightforward measures such as the productivity of a finance or personnel depart-ment can be complicated. "Why one ratio and culturally driven factors about how highly companies value people," says Keith Roberts of PIMS, a management consultancy which runs the PIMS Benchmarking Council.

If companies use inappropriate benchmarks, it can raise unrealistic expectations on the part of senior management that can lead to dejection within the ranks of a company. There have been cases of chief executives using it as a weapon to bash their business," says Roberts. "There is a danger that people will become distillusioned."

Another potential morale problem arises when the benchmarking exercise concentrates on productivity or financial performance. "There is a great chance that if people are being measured on a financial basis. they do get paranoid about their jobs," says Steve Wright of Brown &

Root, the engineering group.

Another potential pitfall for companies embarking on benchmarking is insufficient preparation. Too often, benchmarking has meant unfocused visits to companies and department than another is to do factories, a practice consultants dis-

"A lot of people try benchmarking and fall miserably. They are not prepared. They don't understand their own processes before they visit a company," says Marcus Boyle of Arthur Andersen, the man-

gement consultants.
This point is echoed by Glen Peters of Price Waterhouse. "One of the mistakes people make is that they don't look at themselves in the mirror. They need to do a thorough benchmark on themselves." Some companies find the process of self-examination one of the most

useful aspects of benchmarking. "What I found useful about the exercise was as much the exercise itself - the discipline of classifying our processes and putting numbers on it - as the report at the end," says Steve Wright, continuous improvement manager of Brown & Root, who took part in a bench, marking club organised by PIMS, which examined the costs of personnel functions.

Many managers play down the importance of the benchmarking report. The reports that emerge from benchmarking studies are often treated with a degree of cau-tion. This information - on how a company compares with the average score of the other companies within the group on a particular activity - may be useful in alerting companies to weaknesses, but should not be taken too literally.

Classic, cost-based benchmarking projects where there is not adequate analysis of performance are dangerous," says Alan Bruithwaite of LCP, which runs a benchmarking network set up with the Cranfield School of Management and Logis-tics. "It can be a wild goose chase."

Whitney concurs. "If people just focus on numbers they get frustrated because it does not address how they achieved better performances," he says. Too much effort is put into number-crunching and diagnosing the area that needs change and not enough into thinking about to improve the processes. The emphasis should be un learning, rather than just comparison.

The possibility of learning from other companies is dependent on a degree of openness. "The major gains come if you loosen the confidentiality," says Boyle.

But frequently companies are simply not willing to be open. When Price Waterhouse announced plans to hold a forum of all its benchmarking club members across Europe in October to exchange deas on best practice, it found that about half the club was reluctant to take part. "People are very guarded. I get more information from people on an unattributable basis," says

But on balance, the openness, rather than the secrecy, of companies is remarkable. Companies that are enthusiastic benchmarkers often point to public relations benefits, which outweigh their concern about giving away information to competitors.

"The information gets to our competitors; it also rets to our customers," says Cossar. Benchmarking "is part of the image of Rank Xerox as being a quality organisation," says

Even companies which claim to be highly-proficient at certain processes claim to benefit from exchanging ideas and information. "Generally if someone wants to benchmark you always learn some-

MBAs and wet-behind-the-ears man-



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THE SERVE

DESERT ISLAND MANAGER Andrew Longhurst

A long spell of uninterrupted peace on a desert island mig seem ideal for the complex to of devising a lawful and et way of sharing the ILAba ca which Lloyds Bank has offer for Cheltenham & Glouces Building Society among the succety's members. But And Longhurst, C&G chief exe would use his time to indule interest in computers, Fran and golf rather than to run his business from afar.

equipment with you, apart from a telephone and & fax - what woold it be?

I have not had enough opportunity to play with computers recently, so I would like a powerful PC and modes My background is to compute I joined C&G as data proce manager and I read maths in staustics at university. My for act would be to send a message to C&G saying that I retire and I'd use the computer to play Civilisation - H's a very long game that starts in 3000BC and gnes on into the future, as you create your own civilisation.

I'm good at being on my own. but I do like to have the facility of communicating with people. I would hope that occasio rescue vessel might offer me a job, so if I got bored I could maybe get on one of three and

Would you become a beach

start a new career.

No . I'd want to maintain a lot of mental activity. But I wouldn't try to stick to a schedule - I'd get up when I felt like it need on the computer when I had been the and so on. When I then of the computer I would take a send wedge on to the beach, I can't play out of bunkers at all and it would be a good opportunity to practise.

You can take one film with you. what would it be? I'd take Jean de Floreite. I' admire Jean's tenacity. persistence and will to succeed, even though his farming projects in Provence ultimately fail.

I would hope to have a CD-Rom program called Classic Library 2000 on the computer, which would keep me well supplied with literature, Even if I'm not allowed that, I would still like the Oxford Dictionary of Quotations.

What food and drink would you like on the island? This ties in with my luxury - 100 tons of best-quality top soil - as seen on Gardeners' World - so I could grow vegetables. The key thing would be that they'd be fresh and I'd have grown them. I'd also enjoy fishing and cooking. To drink I would have New Zealand Sauvignon Blanc.

You can take one person with you - who would it be? Catherine Deneuve, the French film actress. I think she would improve my French

How would you like to be remembered? It's not so much a question of liking to be remembered, as liking people to want me back

Alison Smith

Betrayed, unloved and angry

t did not promise to be a great night out. The venue was Wem-bley Conference Centre, London, and the occasion was the annual employees' evening for one of Britain's biggest companies. Local staff had been invited to bring a guest for a Q and A session with the company's board, hosted by a well-known media personality. Afterwards, there was to be a prize draw, a buffet and drinks.

My first response to the occasion was incredulity. How could the management be so out of touch to expect workers and their dates to give up an evening to bear company propaganda, eat a sausage roll and drink a glass of nasty white wine? As I sat in the half-empty hall listening to a deafening disco beat and waiting for the top team to file on to the stage, I felt my doubts confirmed.

In the event the evening was grim, but not in the kitsch, pointless way I had bargained for. Instead of the usual queries about broken coffee machines or dirty windows, there followed a barrage of hostile questions. Employees of this would-be world-class company complained about their job insecurity, their lack of prospects and about planned changes to their hours. They ridiculed the company's new-fangled mission statement with its fine words about mutual respect. The graduate employees, the rank and file and the middle managers spoke with one voice: they felt betrayed, put-upon. unloved and angry. Even some of the spouses had their say. One who worked in the civil service said that at least her employer recognised there was no point in talking about customer care unless the staff were also cared for. With each successive sally came louder cheers from the

The panel, equipped with all the media training money can buy, ducked and weaved. They talked of external pressures, about the need to be competitive, about going through a hard patch. Their answers were long and tangential,

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LUCY KELLAWAY

> onslaught. But all to no avail. The crowd continued to hustle. What a public relations disaster, I started to think. An employee who began the evening faintly resentful would surely have ended it mutinous, having everyone else's griev-ances to add to their own. Yet I left with a different conclu-

sion. It is not easy for senior management of big companies to communicate with its employees. They cannot hope to meet people informally, and company magazines and videos are a one-sided way of keeping in touch. You have to give this unhappy management some credit for being brave enough to face the workers directly. One only hopes they were shaken enough by the experience to ask themselves why motivation is so low, rather than heave a sigh of relief that they have a full year before having to go through that ordeal again.

The real message from the evening was not about the virtues or otherwise of employee meetings. It was that big companies such as this one, which have done well by their customers and their shareholders, have been neglecting their employees. Half have lost their jobs and the rest are left desperately demor-alised. Dealing humanely with the ing with those that remain is a more serious problem than an annual invitation to Wembley can

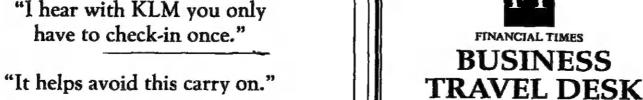
The other day I heard a perfectly sensible person saying that she needed half an hour's "face time" with a colleague. Half an hour's what? Surely she did not mean the two of them needed to reapply their make-up? It turned out she simply wanted to talk to her colleague in person. It cannot be long before speaking on the telephone is known "ear and mouth time".

"Face time" apart, I detect a degree of imagination creeping into the latest management speak. Michael Johnson, author of Rusiness Buzzwords, has sent me some brand new examples, a few of which are almost useful. One such is "brains on

agement consultants who have read the books but do not know how to comport themselves when faced with a seasoned business person. Another nice one is "Achilles mouth" - the tendency to say things better left unsaid. This trait.

is becoming rarer as managers get more uniform; it is therefore sad to see one of the finest Achilles mouths on record, Roland Shaw (who once described me as a semiliterate, ill-informed hack), retiring this week as chairman of Premier Consolidated Oilfields. But my favourite concept is that of the Pavarotti manager, who is so booked up that he can't see you for years ahead. Robert Horton used to be a case in point. When chairman of BP he told me one November that he did not have a free spot in his diary until June. In his incarnation at Railtrack he is having to be a bit more spontaneous the Pavarotti manager would not cut much ice with Jimmy Knapp.

again. I'd like to be missed rather than remembered.



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表表

City air pollution breathes fresh life into drug sales

Although Japan has been successful in reducing its air poliution by half during the past 20 years thanks to rigorous curbs - nitrous oxide levels in Tokyo are 26 per cent lower than in London - the number of patients who suffer from hay fever and asthma has risen sharply in the past few years due to the increase in pollen which reacts with pollutants in the air.

This has opened a whole new market for drugs companies, which offer various treatments and masks Kowa, a pharmaceutical maker, says the mask market has grown into a Y24bn business in which more than 50 companies compete to sell their "clean air" masks which use anti-germ and static filters.

Levels of sulphur dioxides and nitrous oxides have fallen sharply, but incidents of chemical oxident amog, created by a combination of air pollutants, strong sun rays and an increase in ozone, have doubled in five years.

Elsewhere in the region, air pollution is at critical levels due to governments pressing for economic growth and high temperatures aggravating the problem. According to the World Health Organization. of the seven cities in the world with the worst air pollution, five are in

Emission from vehicles is the largest cause of air pollution in most Asian cities, where fuels are among the dirtiest in the world with sulphur in diesel fuel and lead in gasoline. Pollution caused by lustry and building heat are other sources in the colder climates especially in China.

In the Thai capital Bangkok, bus passengers and pedestrians often hold a clean handkerchief across mouth and nose.

Air pollution is particularly dangerous in a country where so much of life is lived on the street. Throughout Bangkok, people eat at roadside noodle stalls; they not only breathe in lead from vehicle exhausts, they eat it.

Recent studies suggest that air pollution causes hundreds of deaths in Bangkok each year. In 1990 more than im of the city's inhabitants. were treated for respiratory problems linked to dirty air.

Across the Pacific ocean, California has the toughest anti-air pollution regulations in the world. For 20 years all new cars have been fitted with catalytic converters while car owners need to obtain a "smog certificate".

The restrictions have provoked complaints from industries, but have prompted innovative businessmen to create a market where companies' permits to emit pollution are traded.

In London, the government issued smog warnings three times in July after ozone levels rose high enough to trigger asthma and other breathing difficulties among vulnerable groups. The Department of Environment asked people to use

A DoE survey, during one of the ozone peaks, showed that few complied - only 10 per cent of motorists decided not to use their cars on at least one occasion when they would otherwise have done so, according to the survey.

Emiko Terazono in Tokyo, Victor Mallet in Bangkok, Louise Keboe in San Francisco, and William Lewis

WORKING LIFE/SPORT

INTERIORS

Ms Mary Chapman, chief executive

described the target of 50 per cent of

UK organisations employing more

organisations by the end of 1996 as

considerable satisfaction with the

Industrial Relations Services, the

independent research organisation

said 96 per cent of companies that

public sector organisations to

schools. A recent survey by

had gone through the process expressed satisfaction with it.

But one task for the next few

to more small businesses, where

generally regarded as lacking.

Enterprise Council work for

years will be to percolate IIP down

training and staff development are

In Worcestershire 30 per cent of

all employees in the area covered

by Central England Training and

companies that have obtained the

companies in an area which has

Mr Rodney Skidmore, chief

executive of Centec, said it was

becoming easier to involve small

companies. "It is important to have

role models that small companies

can identify with. But, people still have to be convinced that it offers

real benefits and that it is not a

standard or are moving towards it. However, they are employed by 200

standard, which has been taken up

by a raft of organisations, from big

than 200 being recognised as IIP

However, there seems

challenging".

of Investors in People UK, which

polices the standard, last week

TRAINING

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Does your employer communicate effectively with you? Do you feel that your training is appropriate to the demands of your job?

If the answer is no, your company might be a candidate for the Investors in People standard which, among a number of other functions, offers a system of auditing the way a company manages its human

The standard, which was government inspired, is managed by Training and Enterprise Councils, which administer government-funded training

programmes and foster enterprise. Four years old this November, the scheme got off to a slow start but take-up is now gaining momentum, with Provincial Insurance the thousandth company to achieve it. Barbara Clifford, marketing manager at Provincial, said: "The process has been extremely valuable for us. It followed a period of restructuring and it focused

minds on the future." So far the standard has been adopted by companies representing 15 per cent of the UK workforce. But many of the earliest participants were businesses which probably had above average

employment practices already. How successful has the standard been? It is not yet certain that numerical government targets for the take-up of IIP will be reached.

Marlowe fans strut their stuff

Electric fans work wonders in environments which lack efficient air-conditioning. But, as with umbrellas, you never think about them until you need one. When a really sweltering day arrives, the tendency is to buy the first fan you can find. As the seasons change, this unappealing object is then stored in some inaccessible

cupboard. Far better to buy a

handsome-looking fan that you will

want to keep on display all year. Highly effective in stirring life into air on even the muggiest days, the Cinni all-metal electric fan also provides a treat for the eye. It is deasingly old-fashioned with learning steel blades whirling inside a circular wire cage. This solidly-built design classic is one fan you won't want to hide away

when autumn comes, Viewing the fan head as it steadily oscillates through 90 degrees, there is a terrotation to imagine oneself as Philip Marlowe awaiting a dangerously curved client on a sticky L.A. night. In fact R.K. Narayan or Vikram Seth are more appropriate to bring to mind since the Cinni range is

manufactured in Varanasi, India. The only drawback is price. Table-top versions range from the tiny 200mm fan (£100 chrome, £82.50 black) to the larger 400mm model (£138.75 chrome, £117 black). Most impressive is the 400mm pedestal fan which stands 4ft high and at full blast creates a turbulence which would register double figures on the Beaufort scale (£225 chrome, £185 black.)

Imported by the Freud Shop, 196 Shaftesbury Avenue, London, WC2 (Tel: 071-831 1071,) Cinni fans are also sold by John Lewis, The Conran Shop, Heals, Harrods and Leading Edge stores. Ceiling-mounted versions are available from the Freud Shop. A 1,500mm-diameter fan with splendid

gold trim costs only £150. If you are not too concerned about looks, there are plenty of plastic fans which do much the same job as the Cinni for around a quarter the price. The Pifco range, for example, includes a 6in clip-on fan (£16.99), a 12in table fan (£34.99) and a 16in pedestal fan (£49.99). Unfortunately, they have about as

much character as a paper cup. One of the more unusual designs of electric fan is the Goldair Vertical Oscillating Fan (£69.50). Made in China, it measures about 3ft high by 8in square. When operating, the whole squat column turns through 90 degrees. Though advertised as giving "vibration-free operation", the one displayed in John Lewis, Oxford Street, had a decidedly wobbly action. While adding to the entertainment of office life, there would always be the possibility of the Goldair setting off for a robotic stroll in order to

chat up the photocopier. Just £4.95 will buy you a Jegs Handfan, which seems to work well as long as you don't mind looking like a modern-day pasha. At the opposite end of the price scale is the Carrier Holiday: (£999 from Selfridges), described as a "portable air conditioner", ("wheelabl would be more accurate). While providing an instant arctic blast, it ejects an equal flow of hot air from a plastic pipe at the back which has to be expelled through an open

Charles Jennines

BUZZWORDS

Socialisms

Last week Tony Blair's election to the leadership of the UK Labour Party was completed. The three candidates produced two vivid new terms: moderniser and traditionalist Like all jargon outside its environment, these words lose their specific currency outside Socialist

Modernisers are the right and traditionalists the left of the party. Blair is a moderniser (The Sunday Times, 17 July), unhelpfully described as "neither Neil Kinnock nor John Smith".

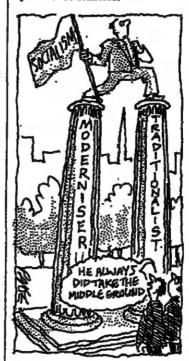
Moderniser has roots meaning

measure or limit" (Latin modus and moderator from moderare), but also a sense of actuality from modo and modernus which produced modern via medieval French. It is a powerful word which unites ideas of time, change and shape (from the Latin *modulus* which produces model). In the 1940s and 50s, it applied to developing and Commonwealth countries en route to liberal democracy; it has roots in Weber and Marx. The OED first usage is Fielding (1748), with Thackeray coining the first current sense in 1860: "gunpowder and printing tended to modernise the world." Blair's moderniser is closes to theological usage early this century, bringing the idea of

advanced or progressive views.

Opposite moderniser there is ditionalist. This comes from the Latin tradere (to hand over, deliver, in a sense, to betray) and surfaces in Voltaire's idea of extradition and the English extradite

Ironically, the word contains both safeguard and betrayal: handing on and handing over. Shakespeare coins traditional in Richard III: "vou are too sens

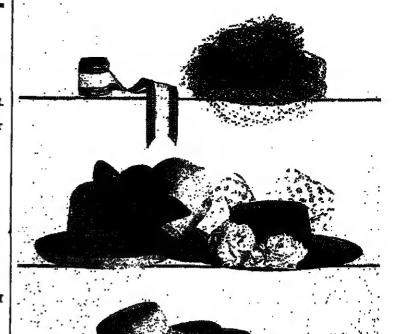


obstinate . . . too ceremonious and traditional

The sense has changed little in the Labour leadership election, with traditionalist used to describe other people's conservative views. T.S. Eliot's essay Tradition and

the Individual Talent did for literary criticism what the Labour party leadership election tried to do for the party: define the past and shape the future. Eliot thought English Conservatives thrived in proportion to their distance from intelligent thought, more Socialism

Andrew St George



STYLE

Invest in a sun hat and save your skin

When they give you sunburn levels in the papers and on Teletext, you can be sure that there is a risk out there, thanks to the hole in the ozone laver over northern Europe. That means concern about sun exposure here and on a Mediterranean holiday.

Those who ring Freephone line 0800 556655 will hear a soothing voice telling them about the dangers of skin cancer and ageing from exposure to WA and WB rays. Wear a wide-brimmed hat and

good sunglasses," says the voice. This is the most important instruction of all. Nothing protects the skin from pollution and sunburn like a hat.And yet it's often something that only the mother-ofthe bride invests in.

If you're going to change your ways and wear a hat, then it makes sense to buy one that combines glamour and practicality.

A cheap, chain store straw hat that is too small and perched on the back of the head is no good at all. A good Panama designed for a man would be infinitely better (Herbert Johnson, Bond Street, London, WI), especially as they are built for travelling and look even better on a

Gilly Forge (071-603 3833) and Patricia Underwood (Browns, South Molton Street, London, WI) both use fine Italian straw that really does travel without crushing although they might cost you upwards of £75. Herald and Heart in SW8 always

have untrimmed straws with brims of every size. The Hat Shop (58 Neal St, London, WC2 and 30 Wilson Street, Glasgow) offers alternatives to the basic straw - a largebrimmed cotton hat with safari overtones, a fashionable fishing pull-on or a navy casquette. All good staples that don't cost more than the holiday itself and don't look like an afterthought or a panic midday purchase.

Incidentally when you my a hat on, look yourself straight in the eye. You can't wear a hat casually with-

out pencilling in your eyebrows and

considering your make up. There are no hard and fast rules but the crown of the hat should balance the shape of your face from the eyebrows down. It is a mathematical equation. Therefore, if you've got a big face make the crown of your hat higher in

Kathy Phillips FINANCE

Tax exemptions during rail strike

Now that the rail strike is disrupting three working days, many employees are having to make their way into work, regardless of convenience or cost.

Most will have to pay more than their usual travel expenses, for taxis or for an overnight stay in a

Will they face a higher tax bill if they then claim the expenses from their employer? Usually, where the cost of travel between work and home is met or reimbursed by an employer, the employee is taxable on the amount paid. The same is true for accommodation costs.

However, accountant Touche Ross points out that since 1986, the Inland Revenue has operated a concession in cases where industrial action is involved. Reimbursed travel and "reasonable" costs incurred in getting an employee to work during transport strikes, are tax-exempt. Neither employer nor employee has to report these payments to their tax office and employers who prefer to meet the cost directly can do so without fearing the tax liability.

Scheherazade Daneshkhu

SPORT: LAURA THOMPSON



Atherton and the child within

s a child, I was a compulsive Achest I would peer into the hag full of Scrabble tiles, looking for the letters that would complete the word "quetzal"; I would steal from the Monopoly bank. Like all real cheats, I would even chest at patience.

The truism that I was "only cheating myself" meant nothing to me. All I knew was that I simply could not bear to lose: it made me feel diminished, it made me feel ridiculous, and I saw no reason why I should feel these things when it was so easy to ensure that I did not. Victory, when it came, was so sweet that it would expunge from my memory all the machinations

All that was left to me was the sensation of winning. I was reminded of this long burned amorality by the Michael Atherton saga, which weens already to have been running for a very long time but which is, let us be assured, just

that had been necessary to gain it.

getting into its stride. The chief question peerd by the incident is obviously that of Atherton's intentions, was by attempting to give the English attack an unfair

The irregistable reply is that, if he was, one could only with that he had done it better But the truth is that it is an impossible question to

All Same

answer. Study it as one may, and certainly I have seen it more often than one of Bob Hoskins' British Telecom adverts, the ball-rubbing footage will not yield up its secrets. Only the ball-rubber himself knows what his intentions were.

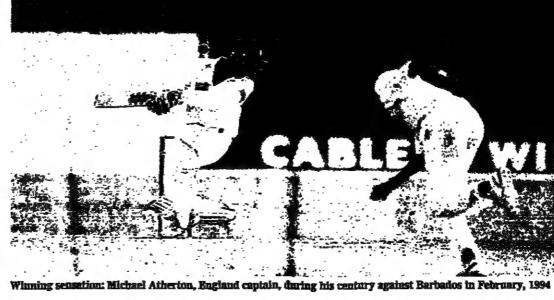
And so another question, less specific, more general, arises in place of the unanswerable one. If Atherton had, in fact, been tam-

pering with the cricket hall, if his actions had helped England to take a couple of South African wickets. and if these wickets had helped England to victory, would that have been a victory worth having, a victory to believe in?

When Ben Johnson left Seoul in 1988 with his 100 metres gold medal. did he look at it and think, Hurray. I'm the fastest man in the world? Had Diego Maradona led Argenting to win this year's World Cup. would he have thought himself entithel to receive the acclaim of mil-

1005 Do those cricketers who have not just a bit of honest dirt in their pockets but bottle tops, lip salve, miniature cans of Mr Sheen, feel that the wickets they take are truly

their trophies? Now that I have grown out of my cheating past, I find it hard to believe that they do. That is not to say that I no longer



feel the urgent desire to win - I still find losing unbearable - but I also feel that it would be easier to live with the memory of defeat than with the knowledge of an unreal

Surely, as soon as the straight course of the contest has been bent in any way, the winning post ceases to have any significance.

Another example relevant to this argument is that of this year's Grand Prix drivers' championship. Damon Hill was helped to victory at Silverstone by a penalty inflicted upon Michael Schumacher, who forfeited several seconds in the race for overtaking HIH on the warm-up

Since then, Schumacher has been further penalised. He has been docked six points and banned from two Grand Prix (a decision against which he is appealing); Damon Hill is now within striking distance.

But would a world championship won in such circumstances really satisfy him? He says that it would, that posterity only remembers who won and not how he did so, which, of course, is true. Yet victory must surely be soured by the sense - however slight - that it has been given, rather than earned. Of course, Schumacher has not

been penalised for nothing, and if he loses the championship because of the Silverstone misdemeanour then that is his own fault. But it is the element of uncertainty which creeps in when the

straight course of the contest has

been bent that affects winners, should-be winners, losers, and should be losers alike. For example, can Carl Lewis ever be entirely sure that he would have won the 1988 Olympic 100 metres

What about all the other races that Ben Johnson ran; all the football matches that Maradona played; all the cricket matches won by wickets taken by suspect bowlers? To whom do all those victories truly

And what, in the end, is chearing in sport? Whatever Michael Atherton was really doing to that fateful ball, whether or not his action were inside or outside the laws of the game, they were hardly any diferent from the sort of thing that is done in cricket all the time.

Athletes are constantly taking substances to improve their performances; obviously these are permitted but only within an arbitrary set of rules. Legality and illegality are fluid terms in such an environment. It comes down, as I said before, to

intention. Even then, though, I am not so sure that proven cheats are singled out by the detached, premeditated quality of their desire to

When, 20 years ago, I sat with one hand in the Monopoly bank and the other placing an hotel on Mayfair, I knew that what I was doing was wrong but it did not feel wrong. Within the miasma of intensity,

expectation, and desperation that must sometimes fill the sportsman's head, creating conditions that no longer relate to reality or responsibility, who is to say that he does not view his actions with the uncompre-

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BUSINESS TRAVEL

Gatwick alert About 40 airport yesterday after an aircraft tyre burst during lake-off. The incident one of the bu lest travel

is of the year put the aisport runway out of action for more than an nour while the Liublin nd Adria Airways DC9 towed many, None of the 100 crew and igers was hirt

About 267,000 people 2556d through the airport ser the weekend.

Nigerian strike A general strike is likely to start in Nigeria on Wednesday.

The Nigeria Labour Congress (NLC), comprising 41 trade unions, decided last Friday that its 3.5m members would ta action after failing to persuade head of state General Sant Abacha to free presidential claiment Moshood Abidia and other political detainees. Shell and other oil companies

have been told by the unions to pull out their experiment staff. The west African nation has all but shut down over the crisis prompted by the arrest of Abiola, the assumed winner of last year's annulled presidential election, on treason charges.

US fires Fires continued to rage in the north-west of the US over the waskend. Two people have already been idled and more than 100 buildings destroyed. More than 11,000

fire-fighters were battling Hannes in Oregon, Washington, Idaho, Montana, Utah, Herada and California, according to the National Fire Centre in

embargo and US ban on most hot, dry, windy weather expected to continue this financial transactions with Haiti.

Heatwave in Hungary Haiti ak ban The now-total 7:11 commercial air ban, which began on June 24 with

carriers ending services to Haiti, is the letest international economic sanction intended to oressurise the island's military coup leaders to cede power. The army, which ousted elected President Jean-Bertrand Aristide in 1991, has defed a worldwide trade and oil

Hungarian meteorol ntimulag high temperatures this week after the death of at least four people from the record ave at the weekend. A temperature of 35.5 degrees Centigrade measured in Budapest on Saturday was the highest

century ago.

"There's no let-up in sight for the next five days," said.
Maria Bonz of the Monatonal

since records began a

Ecorpt safer.

The UK government says the security situation has improved in Egypt, where two tourists have been killed and 30 wounded in attacks by Moslem militants since 1992. Mr Tony Baidry, assistant foreign secretary, said after a visit to Cairo, that the authorities now

had the upper hand. However, visitors should still avoid Assaut in southern Egypt the region where the militarit Gama'a al-islamiya (Islamic Group) had been most active. Yesterday the group said it had wounded two policemen near the southern town of Mallawi in a revenge attack for the killing of two Gama's members by

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Emiko Terazono explains how to cope with - or even escape - the industrial sprawl of Osaka

ecause of the many rivers and canals running through the downtown area, the people of Osaka like to call the city the "Venice of Japan". Yet most of the waterways are now little more than open sewers, and the grey industrial sprawl - home to leading electronics manufacturers and textiles companies may remind visitors of Birmingham in the UK or Cleveland, Ohio, rather than the Italian lagoon city.

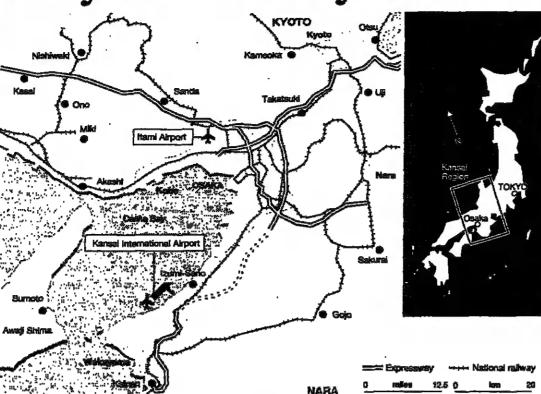
This is not to say that the spirit of the old mercantile town has been entirely lost. Many Osakan businessmen still greet each other by asking "Mo karl makka?" - which translates as "Making any money?"
The people remain down-to-earth, and Osakans pride themselves on

their distinct dialect. With the opening of a new international airport in September, however. Osaka is trying to promote itself as a refined international city. New high-rise office and shopping complexes are sprouting in the city centre, while local store owners and merchants are encouraged to start English lessons.

The Kansai International Airport will be Japan's first 24-hour airport, offering flights to 44 countries four times as many as at Osaka's current Itami Airport. Passengers can also travel on to 22 Japanes cities via domestic flights, which also have access to the new airport. This is a convenient change from the current principal international airport, Narita International, which is three hours away from the nearest domestic airport.

Visitors can also take trains from the airport to Namba, Osaka and Kyoto stations, while a sea ferry is available to Kobe, Once in Osaka, it is best to travel around by train and

City of moneymakers



subway. If you have the time and yen, you may choose to travel by taxi, but many drivers do not speak English and come from the prov-inces, so a simple map of your destination will make the journey easier

While Osaka offers a variety of

places to eat, shop and play, there are no historical sights to see. Instead, you could spend your spare time exploring the ancient cities of Nara and Kyoto, which are both only half an hour away by train from Osaka.

Kyoto has turned into a drab regional city, with an urban skyline of office buildings, condominiums and department stores. But many of the 1,000 temples and 400 shrines nestling at the foot of the mountains, which border the city on In the past few years, downtown three sides, provide pleasant

retreats. Unlike Tokyo or Osaka, Kyoto does not have an efficient intra-city transport system, so the most effective mode of travel is taxi.

The spring and autumn months are the best times to visit Kyoto, but they are unfortunately the most crowded. High-school students and groups of elderly people descend on the main sites by the bus load.

Nara, Japan's first imperial capital, is green and spacious, and offers a pleasant alternative to the urban bustle of Kvoto. Half of the city is parkland, where you can roam around, and you can feed the tame deer which inhabit the com-mons of Nara Park.

ara offers a greater variety of historical sites than Kvoto, and it still has the atmosphere of an ancient city, rather than a centre for property development like

If on business in Osaka, it is convenient to stay in the central business area of Umeda. Umeda station is one stop from the terminal for the Shinkansen (bullet train), which links Osaka with Tokyo. The Hilton Westin and Hankyu International hotels, which all have shuttle bus services from Umeda station, offer packages that include a night's accommodation and breakfast for about Y20,000 (£130).

If accompanied by your spouse or family, you could stay in Kyoto or Nara, which are within commuting distance of Osaka. Both cities have a range of accommodation: from low-cost business hotels for the budget traveller suffering from the rise in the yen, to some of Japan's most traditional and expensive ryokan inns, which offer guests a zen-like atmosphere of serenity.

Wristwatches and brown paper socks

Michael Skapinker on responses to his request for tips on avoiding jet lag

o not eat while you are flying was the advice we gave readers of this page several weeks ago. Consume as little food as possible and as many non-alcoholic drinks as you can - and you will never be troubled by jet lag again, we said.

Many of the travellers who responded to our request for further tips agree. Most add another piece of advice: the moment you step into the aircraft, begin adjust-ing to the time at your destination. Andrew Marjoribanks of Glasgow

recommends purchasing a watch with two time displays: one with old-fashioned hands and one digital. Set the hands to the time at your destination and leave the digital display on home time.

One of the criticisms of our no food or alcohol suggestion is that it does not sound much fun. A New York reader argues in favour of the odd alcoholic drink, provided you have plenty of water. Do not drink anything carbonated, he adds.

Others say that the answer is not abstinence, but eating and drinking quantities appropriate to the meal you would be having if you had already arrived. So if the cabin crew is serving dinner when it is breakfast time at your destination, treat the meal as if it were breakfast - that is, do not overeat and

avoid alcohol. Adjust your sleep as well. Sleep when you would be doing so at

your destination. This assumes you can sleep on aircraft at all.

Jeff Bowman, an international tax specialist at accountants Price Waterhouse in London, says the key to better sleep is to fly comomy. Try to find some empty seats - the best place to look is at the rear of the aircraft, just in front of the smokers. Most non-smokers avoid this section if they can; Bow-

man copes by turning up the over. head air jets. Lift up the arm rests (which you cannot do in business class) and stretch out. The Insomnia Cure Group, based in Bristol, suggests that you spend as much time outside as you can

when you arrive. It says: "Nothing

does more to acclimatise you to your destination than getting out into the daylight as soon as possible after arriving. The subtlety of light is essential information for the brain, which helps to resyschronise your body clock system. Finally, the mystery of the brown paper socks. We reported reading that cutting out pieces of breen paper and putting them in your socks is the way to beat jet lag. You

can then eat and drink anything. Lynda Davies and Liz Carr of the marketing department of Imperial College, London, say they tried this on a recent flight home from New York and it worked. Unfortunately, despite working for a leading orien. tific establishment, they cannot find anyone who can cortain why.



have eaten something weird,

can you help me find an English speaking doctor "SERVICES



AMERICAN EXPRESS

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ichael Fuchs, the soullient, irreverent chairman of Home Box Office, the US pay-television company, could never be accused of false modesty. "I consider us to be the McDonaid's sign on the side of the information highway," he declares. "We are a king

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He speaks with considerable authority: HBO, 21 years old this year, is not only the oldest pay-television service in America, born at the dawn of the cable television era, but it is also the biggest, with operating profits last year of \$230m (£149m) on revenues of \$1.4bn. A subsidiary of Time Warner, the world's largest entertainment group, HBO's profits have grown by 9 per cent a year on average during the past seven years and last month it reported record earnings of \$128m for the first half

of 1994, up 14 per cent. Its main channel transmits a mixture of feature films and sports, documentaries, comedy and music shows to 18m US

systems and satellite. Last year, it garnered more of the television industry's prestige prime-time Emmy awards than any of the big three traditional broadcast networks - NBC, ABC and CBS. Its winners included the madefor-TV films "Barbarians at the Gate", which deals with the epic takeover battle for RJR

Mom". A second channel Cinemax. is devoted entirely to films and reaches 7m customers.

Nabisco, and the wonderfully named "The Positively True

Adventures of the Alleged

Texas Cheerleader-Murdering

But does the current turmoil in the US communications industry pose a threat to HBO? After all, the cable television industry is fairly mature; and in the coming era of inter-active, multi-media entertainment, viewers will be able to choose from a vast number of viewing choices, including films-on-demand.

On the contrary, insists Fuchs, "we are feeling right now more optimistic about our business over the next five

other moment over the 10 years I have been (in charge) here". He admits that after about the year 2000 his crystal ball gets foggy. Fuchs acknowledges that the

US basic cable industry where subscribers pay a fixed fee to a cable service company for a cocktail of channels, mostly advertiser-supported is fairly mature, reaching about 60m US homes.

But he says there is plenty of room for growth at pay chan-nels like HBO, which are not supported by advertising and which viewers pay a special iditional fee to receive. Analysts also point out that cable service companies, which recently had basic cable rates cut by regulators, are now likely to emphasise marketing pay channels to customers.

The company is also stepping on to the international stage, which will absorb cash in the short run, but which has greater long term growth potential than the US. "Don't have the misconception that Rupert Murdoch is going to own Asia, because he's not", says Fuchs, who also has designs on Europe and Latin who wish to watch it.

America. In the US, HBO added im subscribers last year, an increase of about 4 per cent, thanks to the strength of its programming, powerful mar-keting (a \$150m a year warchest) and pioneering innova-tions like "multiplexing" rebroadcasting its programmes on different time schedules.

"The biggest complaint we have had from the first day of this business is 'it's not onwhen I want it.' So we are configuring HBO so people can have eight bites of the apple instead of one," Fuchs says. He also maintains that well established television brands

are not going simply to disapactive television, although some smaller players may be

everal analysis agree, and a few bold ones even suggest that HBO may be the prototype channel of tomorrow, unencumbered by programme advertising breaks, and supported solely by the

"The basic cable channels are nervous about a la carte," Fuchs says. "We don't know anything but a la carte." Any television channel ulti-

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mately stands or falls by the quality of its programming, and it is here that Mr Fuchs has proved himself an important innovator. HBO, which began as a films

and sports channel, but was very adversely affected by the advent of the video cassette recorder in the 1980s, has developed a reputation for the kind of sophisticated, cutting edge, and socially conscious programming which the big three broadcasting networks often shy away from - for fear of offending viewers or adver-tisers. It also keeps very tight control of costs.

A native of New York, where HBO has its headquarters, Fuchs, 48, was an entertainment lawyer before joining

HBO as a programmer in 1976. He became president in 1964 and acquired a reputation for abrasiveness, particularly during negotiations with Hollyin 1989 when Time, HBO's parent, merged with Warner Communications. Fuchs clashed repeatedly with executives at the Warner Brothers film studio about his plans, bitterly opposed by Warner, to make films for release in cinemas.

Fuchs lost the battle and bittar feelings between the two sides lingered, making a mockery of claims that the Time Warner merger would produce great synergy.

"There wasn't a lot of sportsmanship and team playing, but we've gotten through that," admits Fuchs, who insists the in developing international markets. "We wouldn't be in the foreign business without Warner Brothers."

Fuchs seems a mellower individual generally. After avoiding the press for years, he has suddenly made himself available for interviews.

Some suspect this is a diplo-matic offensive to improve his chances of succeeding Mr Gerald Levin, Time Warner's chairman. Others say he sim-



Patience of multimedia investors 3i acquires 25% stake in sorely tried by research findings

Providers of interactive television services will have to wait until the early years of the next century to see a return on their investor according to estimates by Ovum, a London-based consultancy specialising in

information technology. It says that interactive television, which many believe is poised to become the domestic face of multimedia. will generate revenues of \$7bn in 2000 in the US and Europe, representing about 26 per cent of all revenues from multimedia in the home and four per cent of total

consumer electronics. It points out, bowever, that the costs of providing products

alightly more than \$1bn in 1994 to \$24bn in 2005: "Costs will be higher than revenues from subscriptions in the early years of deployment. The market will become cash-positive around 2002; until then, other sources of

revenue such as advertising

will be required." Interactive television differs from the traditional variety in the freedom it affords viewers to control what and when they watch. Technically, it demands a network server capable of storing and delivering large amounts of information, a set-top how to control the programme, and a two-way transmission channel between

Ovum suggest the most popular services are likely to

movies; the ability to take part in games and opinion polls; control over the angle from which customers view sports and games; and home

The concept of a two-way tv

service has, however, existed for at least two decades. Current interest is being driven by technological advances which enable low cost distribution of digitised information, competition between telephone and cable companies, and political initiatives by leaders who see interactive services as a key to

Interactive television is not, Ovum points out, the information superhighway: "It is an extension of the existing cable and direct broadcast

beginning with today's test of the technology leading to full service provision by 2005 when video telephones will be integrated with the tv set and teleconferences, interactive games and communication between subscribers will all be

The winners will be the costomers who will have a broader range of services to choose from, the content owners (studios and picture libraries), creators of new programming and hardware suppliers. The principal losers, Oven reckons, will be existing video distribution channels video rental outlets and cinema chains. Interactive television: the market opportunity: Ovum. 1 Mortimer Street, Landon W1N

First Information Group

Touch the screen representations of a £10 and £5 note in the museum of the Bank of England and interesting things start to happen. The cricket game from The

Pickwick Papers of Charles Dickens on the back of the £10 note comes to life, as does Stephenson's Rocket locomotive on the back of the £5 note.

They are part of an awardwinning CD-ROM recounting the history of the Bank, now celebrating its 300th anniversary, produced by First Information Group.

Today FIG, which believes it is the UK's largest independent multimedia company, announces that Si, the investment capital group, has bought 25 per cent of the company for

multimedia so far.

FIG was set up less than a year ago by Mr James Edmonds, the entrepreneur who recently flew a microlite aircraft from Wiltshire in England to China to raise money for charity.

To create FIG, he organised a management buy-out of Chrysalis Multimedia from its parent group. Mr Edmonds is a 48year-old lawyer who built up a US-based holiday and travel business sold in 1992 for £50m. "I made a bomb, but I didn't want to retire. I spent a year with colleagues looking for something to invest in and we decided on multimedia," said

Mr Edmonds. FIG plans to use the 3i money to purchase the electronic rights to a wide range of

It is 3i's largest investment in training books and add digital moving and still images and sound to the original text. Agreements in principle

have already been signed with publishers for as many as 30 titles, plus options on others, and FIG will now act to finalise Initially titles will be aimed

at the US market, as that is where the installed CD-ROM base is at the moment. The first title, to be released by Christmas, is likely to be a history of the American Civil War. Another title in development is a children's encyclopaedia.

"It's a simple philosophy. We sell off the back of the established books," says Mr Edmonds, who hopes that multimedia is about to take off and that he will make another

BBC opens club for business **Internet access**

By Raymond Snoddy The BBC opens its Networking Chub for business today, offer-ing what it describes as lowcost, user-friendly access to the global computer networks

of the Internet. Mr Eurfron Gwynne Jones, BBC director of education, believes the BBC is the world's first media organisation "to open up mass access to the communications revolution." Echoing the launch of the 1980s BBC micro computer, membership, with starter kit, will be from £25 plus VAT, with a monthly fee of £12 plus

As well as Internet access there will be an information and conferencing service, Auntie, with information about BBC radio and tv programmes, and transcripts and fact sheets. The network backbune

ARCHITECTURE

Demolition and Art Deco

Colin Amery assesses the case for saving the SmithKline Beecham HQ

That happens when an international compony wants to demoiish its headquarters and finds itself at the centre of a row about the value and impor-tance of listed buildings? When that building is a prominent London landmark on the chief route into the city from the airport you can expect at least

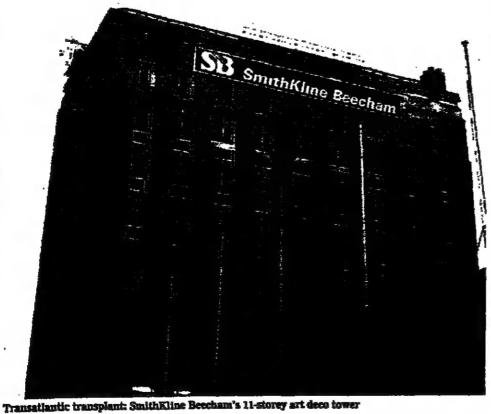
The leading pharmaceutical company SmithKline Beecham earlier this year launched their campaign to win consent to demolish their Art Deco tower alongside the M4 visduct as part of a £150m redevelopment scheme to create im so ft of new offices.

Their propossis were inunched with hype as "a new gateway for London" and SmithKline Beecham with their development consultant British Land engaged the fashionable late-modernist architect Sir Richard Rogers. The launch was a flashback

to the 1980s. There was a news-letter called "Great West Revival", photographs of a model of Rogers's proposals akangside a traffic free motorway. There was no mention of the fact that the main existing building on the site "SB House" is an II-storey Art Deco tower that is listed Grade li the charms of which have been diminished by its proximity to the elevated section of Westway There were computer generated views of the Rogers' scheme showing that the "new gateway" is a precipitous gantry across the traffic from the series of new glass office towers that he has street for the site.

The Art Dece tower is worth examination. Designed in 1987-1942 by the first of Wallis Gilbert and Partners for the firm Simmons Aeroscressories, it cleverly incorporated an outlier tower by G.A. Warren. Wallis Gilbert were pioneers of the Art Deco factory and office building, bringing the style from America and employing it commercially. They designed the Firestone Building, also on the Circut West Road, which the classes changed in favour M. its preservation

Waltie Gilberi's most famous ver Packery at Periodic, a studtag exempts of new Egyptian



Art Deco. The Hoover factory Art Deco with plenty of detail has been gloriously restored and all its railings and gates. has been gloriously restored and partly adapted as a new Tesco Superstore. It is a perfect example of the way a listed building can add value to a development. The Great West Road was once known as the Golden Mile - with its fine factories behind rolling lawns with streets of pleasing semis in large gardens (surely the conservation areas of tomorrow) surrounding them.

No one is pretending that the old traffic free world can be re-created, but the SmithKline scheme does boast that, as well as providing Im sq ft of offices (of which the company will occupy a quorter), a new park will be created which will, "establish a continuity of open space and the creation of continuous green routes to the River Thames." Richard Rogers is always creating these mythical "routes" which only exist in drawings. The so-called park will be largely in permanent shadow and always be

noisy and polluted. what are the qualities of the listed building? It is a very good example of stream-lined

Seen from the south carriageway of the A4 it is a fine example of a "Golden Mile" building and even seen from the motorway it does have landmark qualities. Art Deco was an important parallel to the Modern Movement and is under represented in England. The building is in good structural condition and could be refur-

bished for fem. There is a clear case for the retention of the listed building as an anchor building with a business park around it. Posltive value could be generated by a better mixture of uses on the site. The retention of the listed building makes this more, rather than less, possible. The use of a famous architect and all the promotional words about new gateways should not fool anyone. In the official Planning Policy Guidance issued by the Department of the Environment, it would be wise for SmithKline and their advisers to remember that "the secretaries of state take the view that subjective claims for the architectural

merit of proposed replacement buildings should not in them-selves be held to justify the demolition of listed buildings". There is always a presump-

tion in favour of the preserva-

tion of a listed building and this application for an outline planning consent using Richard Rogers (who may not be retained for the detailed planning consent) should clearly be rejected with the support of English Heritage. Mr Jocelyn Stevens, chairman of English Heritage, only has to point to the success of Bracken House in the City where Michael Hop-kins added to the listed building in an inspired way. Mr Stevens should encourage Richard Rogers to be more imaginative and to keep the listed building at the heart of his scheme. There are plenty of boring glass towers around. A refur-bished Deco tower will have real cachet. This kite flying operation to get a quick con-sent should not be allowed to go any further without serious consideration of a less intensive mixed development with the Wallis Gilbert Tower at its

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CONTRACTS & TENDERS

REPUBLIC OF CROATIA COUNTRY OF SPLIT-DALMATIA COMMUNITY HOUSING FUND OF SPLIT

announces

INTERNATIONAL BIDDING FOR FINANCING THE CONSTRUCTION OF THE FACILITIES! STRUCTURES FOR THE DISPOSAL OF WASTE WATER FROM THE SOUTHERN CATCHMENT OF THE CITY OF SPLIT-SUBPHASE IA OF THE SPLIT-SOLIN SEWERAGE SYSTEM

The City Council of Split announces international bidding for funding the construction of facilities for the disposal of waste water from the southern enchanced of the City of Split-Subphase is, of the Split-Sulin tower system.

According to the location study and main technical documentation, the facilities for the disposal of waste water from the southern catchment of the City of Split-Subphase is include the following: Kuralini Brig Pumping Station - Phase I with connection to the existing outfull,
 expansion of the existing submarine outfull - placement of an attlitional diffuser;

main collector stong the section from the commercion point of coastal collectors to Katalini) Brig P.S. with screens (coarse and fine), outflow channel and to Naturn to the sever of the existing Bacvice F.S.

main coastal collectors (part of the City Port ring) along the Pazar section to the

point of connection with the main collector and accompanying networks and

unpanying communal infinestructure (electrical carryy supply, connection to rr supply, etc. and landscaping the Katalini) Brig P.S. complax and access

Total estimated cost of the engineering works encounts to on 12.000.000 DEM, and the completion period is twelve (12) months from the day the contractor begins

The financing of the construction of facilities in la Subphase, from Item II, implies ensuring the necessary funds from local sources or bank loans and the organisation of construction small the date of operation. The funds can include:

a. all engineering works; specific groups of engineering works.

The bidding is open to all resident and non-resident firms and individuals (in further text Biddens), with experience in this field.

L Site survey study with specific requires Bidding documentation containing all bidding conditions, instructions and final objective of the resiliantion of the sewer system of the southern catchment of the

Cost estimate with general conditions and conditions for the main engineering, technical conditions and quality control programme; Tender documentation for the equipment;

Main technical documentation for the construction of facilities from la Subphase in term II of this Bid with studies of geotechnical investigations and hydrographic data. The Documentation from previous items is a component part of this Document.

The Bidding Documentation from Item VI, 1-4, can be obtained (either by post or directly) and the documentation from Item VI, 5, can be obtained from Angust I, 1994 at offices of the Croatian Water Resources Management Authorities, Organisational Unit Split, 58000 Split, Vulcovarsta 35, Monday-Friday from 8 a.m. to 2 p.m. (Conference Room - 1st floor), Tel: (058514-712, 513-878, Fax 525-891, Price: 2000 DEM, payable in Croatian Kunas (according to the exchange rate on the day of payment) to the Fund for Communal Services, Account No. 344000-650-4000224.

The preparations and realisation of the bidding will be conducted by the Fund for Communal Services - Split, appointed by the City Conneil of Split. Farther information may be obtained from: Fund for Communal Services - Split (Ljuba Vuckovic, B.Sc., C.E. Tel. 05843-555,581-775 - Fax: 058 581 - 775 - Croatian Water Resources Management Amborities, O.U. Split (Bogdan Ivancic, B.Sc., C.E.; Fani Bojanic, B.Sc., C.E.; Tel: 058 514-712, 513-878, 551-074 Fax: 058 525-891.

The bids must be delivered no later than September 16, 1994, in accordance with the instructions from the Bidding Occurrentation

All hiddens will be advised of the results of the Bidding in accordance with the bidding

Alitalia tries to fly higher

Robert Graham learns what Roberto Schisano intends for Italy's state airline

The call for Roberto Schisano came out of the blue from a head-hunter: "Would you be interested in serving your country?

It soon transpired that 'serving his country' meant over-hauling Alitalia, Italy's loss-making national airline. For the 51 year-old Schisano, president of Texas Instruments Europe, it was a challenge

Having spent his working life with the US electronics multi-national, the prospect of applying his knowledge of American management techniques to shake-up an ailing state airline was irresistible. It was also the first time the chief executive of any Italian state enterprise has been actively head-hunted.

Since February he has been installed as chief executive in Alitalia's cavernous new headquarters, mid-way between Rome and the city's Fiumicino airport - a building be will almost certainly sell-off as part of the airline's rationalisation.

"When I came to Alitalia, I told everyone I was a frequent flier clocking up thousands of miles annually; but I only ever flew Alitalia when it was unavoidable," says Schisano.

Such blunt talking is an essential part of the new management style, which in five months has brought about what is arguably the biggest ever cultural revolution in an Italian state enterprise. He has broken down entrenched union resistance to change, and Alitalia is likely to implement the kind of restructuring programme that Air France, the neighbouring state airline, has tried and failed to do.

"The (recent) agreement with the unions is the first building block for a new era of relations in which we must decide we have a common objective - to work together to stay in the market." he observes. The core of the agreement centres on a near 20 per

workforce; the end of restric-tive practices among cabin crew; the switching of crews among different types of aircraft: effective cuts in wages: and longer working hours.

Schisano, who trained as an electronic engineer, began by spending a month between jobs soaking up everything he could about Alitalia. For a while when he arrived he simply listened - to individual managers, to groups and then to two huge assemblies of the

"The big surprise for me was to discover Alitalia was not a company as I knew one. Rather it was a conglomerate whose professional skills were not being coordinated towards a common goal." He adds: "Alitalia did not

have an identifiable objective at all. And with time there had occurred a total divorce between people and the com-

Using one of his pithy one-liners, he summed up Alitalia as he found it: "The company had become separated from the market; and the management had become senarated from the company." The first situation he was prepared for. The second was unexpected.

Another surprise was the way Afitalia had misplaced its priorities. "The culture of the company rotated round the machines, the aircraft. The rationale was - we fly because we have aeroplanes' - rather than 'we fly because we have

The customer indeed bad come forgotten, not least by the flight personnel who were bent on protecting their privi-leges. Schisano discovered that cabin crew pay was based on 504 separate job considerations, most of which had been individually negotiated between unions and manage-

Although he pays tribute to the professional skills inside the airline, Schisano scarcely conceals his dismay at the lack

of competitiveness that existed against other airlines. "Our what I call the so-so bunch the other European state airlines, not those seeking to be market leaders like Britsh Airways or Southwest in the US. And when one mentioned losses, the reply was 'Oh, we're

not as bad as Air France'.' Through a combination of badly organised and poorly developed Italian airports inadequate flight schedules and indifferent service, Schisano reckons Alitalia has been losing 2m passengers a year to competition. Thus to impose radical change and become customer-orientated, the first step was to stop the airline being run like a government department with life-long job security. Management had to be flexible, not rigidly hierarchical, and people had to be properly motivated.

To achieve this, Schisano began with some simple and obvious personnel relations s, nevertheless unfamiliar to the Alitalia culture. "I made myself very visible and walked about the building a lot... My first meeting with the unions was carried everywhere on closed circuit television... I cut out all the awful bureaucratese in memos and

circulars." This direct contact in turn helped to produce a creative atmosphere, in which the management could focus on drawing up a restructuring programme to restore profitability and ready the airline for privatisation. The plan itself, designed to raise productivity by 25 per cent and cut operating costs by 12 per cent, was ready by May.

Remarkable by Italian standards, the main union leaders decided in less than two months to back Schisano's tough recipe for saving Allt-

"I set out to convince them by showing the figures in easily understandable presenta-



tions and charts," he says with more than a hint of satisfaction. He devised comparative tables to show just how overpaid and unproductive Alitalia had become had become: cabin crews earned more than double British Airways.

They could see our costs had been higher than revenues for the past six years... From this I was able to say: either we accept the restructuring plan or we go home."

The threat carried credibility because both the previous Ciampi government and the current Berlusconi administration had made it clear the airline had to stand on its own feet. According to Schisano, the government attitude makes Alitalia's plight different from that of Air France. "Air France still behaves as if it is an arm of the French government."

Unions in strategic public service sectors like transport have traditionally held the company and the public to ransom. But Schisano gambled that the balance of power had shifted away from the unions. "Unions need the management today; the management doesns need the unions," he says.

His tough line appears to have paid off. Industrial action against the restructuring was largely limited to wild-cat strikes by a new militant union, which Schisano excluded from negotiations.

If this sounds too much of a success story, Schisano is the first to admit Alitalia has still to prove it can be a profitable and competitive operator. It has yet to decide on a coherent policy of international alliances and is unlikely to be fully prepared for the liberalisation of European airfares.

But perhaps the lesson from his brief experience is that where radical surgery is necessary, it is more easily done by ne brought in from outside. One up for the head-



Parker picks his own leaving

Gordon Parker, the chairman of Newmont Mining, must be the only businessman who has faced up to the attentions of three of the world's most aggressive corporate raiders -T Boone Pickins, Lord Hanson and Sir James Goldsmith - and still be in his job, writes Ken

Gooding. Boone Pickins, fresh from raiding the US oil patch, was the first to make a run at Newmont in 1987. Parker beat him off but had to sell most of Newmont's assets to cover the costs and turn for help to the UK's Consolidated Gold Fields, which ended up with 49 per cent of Newmont.

Parker had no sooner started to rebuild Newmont as a gold company - it is now the biggest in North America when he had to reciprocate by helping Gold Fields ward off Minorco, the offshore arm of Angle American of South Africa. Gold Fields won after a two-year battle but was in no shape to put up much resistance and was pobbled up by Lord Hanson's outfit shortly

afterwards. That was in 1989. After a year of dancing around Parker, Hanson retired and swapped his Newmont holding for Sir James Goldsmith's North American forestry interests. Through all these tribulations, Parker was protected by a next legal safety net - anyone who picked up Gold Fields' 49 per cent Newmont stake also inherited a "standstill" agreement preventing them from buying the extra shares to give control.

Sir James tried to wrigele round this by encouraging a merger between Newmont and Peter Munk's American Barrick: that fell apart almost as soon as talks started. Goldsmith gave up and sold all

Newmont stake as the gold price went up last year. This left Parker, who joined a Newmont copper affiliate in 1959, once more as Newmont's

Fittingly as the gold industry's great survivor. Parker, a tall and tacitum man of 58, has dictated when he plans to retire. He will hand over the chairmanship of Newmont to chief executive Ronald Cambre at the end of the year - and not a day

Belzberg likes to buy

Brent Belzberg may lack the panache of the Vancouver corporate raiders who made his family famous in the 1980s. But the younger Belzberg seems to be building his business on more solid foundations, writes Bernard

Beizberg, aged 43, is chief executive of Harrowston, an unglamorous Toronto-based outfit, which rose from the ashes of First City Financial, the Beizherg-controlled group which mounted daring but ultimately self-destructive raids on several North American and European

companies in the mid-1980s Revived with the help of a capital infusion from institutional investors Harrowston is quietly buying up victims of North American corporate shake-ups.

Its latest purchase is ICI's polyol division. Together with earlier acquisitions from ICI and El DuPont, Belzberg has now stitched together a chemicals group with annual sales of some C\$250 million. He has also bought a mest

retailing business. Brent is the nephew of Sam and Bill Belzberg, the once-leared brothers who were the driving force behind First City. Sam and Bill have wisely faded into obscurity on the west coast while their nephew tries to rebuild the family's reputation in Toronto.

Emap's handy Francophile

Emap, the successful magazine, newspaper and exhibitions group, is clearly becoming a much more

following last mouth's acquisition of £108m worth of French magazines, writes Raymond Snoddy.

Emap was already in France through a joint venture with Bayard Press. For the past two years new recruits to the company have been expected to offer another language besides English - preferably French.

The latest acquisitions comprise 28 titles bought from Editions Mondiales - inch Tele Poche, one of the leading television listings magazines and L'Auto Journal - France's biggest selling motoring journal - bought from Robert

Hersant, owner of Le Piguro. The deal makes Emap the third largest consume magazine group in France. with 860 staff. Clearly, management changes were

peacoc.

David Arculus, Emap managing director, believe that given the company's growth in France it was important to have senior management on the ground Kevin Hand, the 43 year old chief executive of Emap's consumer magazine dividen has just been appointed chairman of Groupe Emap, and is heading for France with his

family for at least a year to integrate the new titles. People say I'll never be back in a year. Then we move on to the exciting part launches and acquisitions.

says Hand. For the past three years apart from visiting the Prench business - he has been working steadily at his French; he now describes his efforts as "pas mal."

He concedes that his French colleagues may wince sometimes at what he does to their language, but he thinks he gets high marks for trying. "If you don't speak French you are going to get dropped from the team," says Hand,

who hopes that increasingly French Emap staff will spend a couple of wears working in London and vice versa. He has no doubt there will be further Emap acquisitions in France. "The calls are already coming - in French,"

hé says. Hand will remain chief executive of Emap consumer magazines but Tom Moloney. who currently heads four companies covering Emap's teenage, music, entertainment and women's magazines has been appointed deputy chief executive of Emap's UK consumer magazine division.

CONFERENCES & EXHIBITIONS

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OCTOBER 17-21 CREDIT ANALYSIS WORKSHOPS

Thomson Bank Watch, the international credit rating and analysis agency, is running a series of credit analysis workshops. The topics being covered sue Soverign Risk, Securities Firms, Survey of the Major OECD Banks and

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OCTOBER 20 THE NUCLEAR REVIEW

This conference examines the UK suclear industry's future in light of the nuclear review. It will analyze the industry's states, privatisation, market needs and economic respects as well as risk and safety aspects. Speakers include: Tim Sagar MP, Minister for Energy.
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INTERNATIONAL

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COMPANY MEETINGS: Allied Colloids, Stalds Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00

Asprey, The Westbury, Bond Street, Maytair, W., 12.00

Law Debendure Nat West Bank TR Pacific Inv. Tat.

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Fleming Inc. & Cap. Inv. Tst.

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THE WEEK AHEAD

US West \$0.535 Walker Greenbank Cv. Pf. Whitbread 41/5% 2nd Cm. Pf. 1.575p Witan Inv. 2.7% Cm. Pf. 1.35p Do 63/96 Db 1990/95 83 375

Macallan-Glen, 7% Cm. Pf. pf. 2.1p Do. 9% Cm, Pf. 4.5p Manchester 3% '91 Rd. £1.50 TOMORROW Merchants Tst. 3.65% Cm. Pf. Anglo American Corp. SA R3.0 Met. Water New River 3% Db. BAA 11,25p Courtaulds 10.80 Microtek Int. 3.5% Bd. 01 De Beers 40% Gross Pf. R1.0 Do. 8% Gross 2nd Pf. R0.04 Mitsubishi Electric Y4.0 EFM Inc. Tst. 1p Nat.Home Loans Sec. FRN '95 Eliott (B) 1p

R0.205

Young & Co's Brew, 4,2% Cm.

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Elect. Data Processing 0.667p

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Tst. 2.2p Gold Fields Coal R0.45

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Griqualand West Diamond

Harris (Philip) 4.85p

Hardy Oil & Gas 1p Hicking Pentecost 3.05p Reed Exec. ip Warburg (SG) 6.5% Sb. Bd. 08

THURSDAY AUGUST 4

FRIDAY AUGUST 5 Archimedes Inv. Tst. 9n Assoc, Brit, Foods 6% Cm. Pf. Bradford Property Tst. 3.6p Bridgend 0.1p

Cambridge Water 125p Cape 8p Chloride 6% Cm. Pf. 2.1p Control Techniques 2.60 Cosmos Sec. FRN Y1716438.0 **EMAP 6.4p** Environmed 0.2p Fenchurch 2.6p Fenner 0.5p Heath (CE) 11p Heavitree Brewery 1p Do. A Lim/Vtg. 1p Kershaw 8% (A) Cm. Pf. 4p Do. 121/2% B Non Cm. Pf. 1.96875p Lon. & O'Seas Freighters \$0.0075 Marks & Spencer 6.7p Pall \$0.0925 Randfontein R1.80 River & Mercantile Am, Cap. & .

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Halma, Savoy Hotel, Strand, W.C., 12:00
Hiddands Elect., Irz. Convention Centre, Broad Street, Birningham, 11:00
Racel Elect., Institution of Electrical Engineers, 5:x409 Place, W.C., 11:45
Sateland, 144, Great North Way, Hendon, N.W., 3:30
Yorkshire Elect., Laeds Town Hell, Leeds, 10:30
EOARD MEETINGS: Intertment

Feirway Finebury Smeller Co's Tst. Harrison & Crosileid

Wickee THURSDAY AUGUST 4 COMPANY MEETINGS: BTP, Cufe Royal, 68, Regent Street, W., Bradford Property Tst., Victoria Hotel, Bridge Street, Bradford, 12.00 Cropper (James), Burneside Mille, Kendat, 10.36 Eastern Elect., Combridge Com

LPA Inds. 0.8p

Exchange, 3, Parsons Court, Whenler Street, Cambridge, 11.00 GB Int., Stroy Hotel, Strand, W.C., 12.00 Heath (CE), 133. Houndsditch, E.C., 10.00
Revell Systems, Cose House, 65-89, High Street, Welton-on-Tharnes, 12.00 Northern Bleet, Married Hotel, Metro Centre, Golechand, 11.00
South Water Bleet, The Cost Exchange, Cardill Bry, 2.30
South Water Bleet, Riviera Centre, Torque, 11.30
Wentford Irws, Chartered Insurance Warmford Inva., Chartered Insurance restinte, 20, Addemanbury, E.C., 12,00 90ARD MEETINGS:

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Inc. Tst. 1.8p

Southnews 20

Unigate 11,3p

M FRIDAY AUGUST 5 COMPANY MEETINGS: Chubb Security, Institution of Electric Engineers, Squay Place, W.C., 11,45 Jones & Stigmen, Forest park Iris, Hinddey Road, Loyoster Forest East. nnes & Shipman, nckley Road, Losc licoster, 12.00 Litheto (Jemes), Losside Wherf, Clapton. 5, 12.30 Landon Elect., Queen Blabeth & Conference Centre, Broad Sancture S.W., 11.00 Maraton Thompson & Evershad, Thi Vibion, Shobnall Road, Burton upon T CAPID MEETINGS:



Peacocks not penguins

Jeremy Isaacs defends laissez-faire dress codes at Covent Garden

ord Deedes leaned languidly against the wall of my retiring room at the Royal Opera House in the interval of a performance cently, and said: "I believe the last time I was here, we wore white tie." "Really, Bill. Was it a grand gala?" "Oh, nothing like that." With a pleasant joit, I realised we were back in another era; dances every night of the season; the bright young things; dressing for dinner; white tie and tails for the opera. Ah halcyon days! England has moved on since then, and at Covent Garden all are welcome. Some come straight from the office; some straight in from the street. Black tie in the Royal Box, galas and impor-tant first nights. But normally, no dressing up. And as far as I can remember, since the gala for the Queen's Silver Jubiles in 1977, not a white tie to be seen.

Clement Crisp; his collar and cuffs as immaculate as his commas and colons, has on this page (July 18) deplored current standards of dress at his favourite theatre, and even claims to detect signs of a national malaise in what he sees. Others take a different view, remarking favourably on the wide range of attire worn nowadays at the Met in New York, or at the Coliseum compared with business suits in the Royal Opera House stalls. The point is worth addressing, but it is not a necessarily

In Munich the other night the festival, everyone seemed to have dressed up; the men in variegated finery; some of the women in frocks. But there was nothing formal about it. People come to ballet or opera to enjoy themselves and should dress as if they expect to do so. I am not for any formal requirement to wear particular clothes on an ordinary evening, but I love to it is only a dress or an eye-catching

tle that sends the signal. Two factors in London militate against peacocks of the sort one constantly sees at Bayreuth or at Salzburg. Most of our patrons are not on holiday; they come to the opera directly from work and few have time to change before doing so. And then, when folk do dress, when a generous sponsor hosts a party, the men wear black tie. Anything less like a party than 50 men in identical, predictable black and white I cannot imagine; penguins are not peacocks. Come dressed for say, in anything but black tie.

Some visitors to the Royal Opera House, particularly in sweltering weather, come very informally dressed. Should we let people in in shorts? Some patrons think not, and onally write to me to say so. "I didn't pay £100 for my stalls ticket, to sit next to a sweaty fellow in T-shirt, shorts and sneakers."

contributes to our funding. Everyone who buys a ticket does so also. We are the only publicly-funded opera house in Europe, after all, that earns as much at the box-office as we receive in grant. So all are welcome. We prefer, rather than instituting strict rules or issuing formal warnings about appropriate attire, to leave it to the discretion of our sensitive house management to exclude anyone whose dress will offend. (So far, the right of exciu-

sion has not been exercised.) Not content with censuring the dress codes. Clement Crisp also thinks that there is too much eating

tomers' needs. What is true is that

The Opera House was built in 1858. If you compare a plan of Barry's hullding with that of any other great lyric house in the world, it is striking to note how much of that space the auditorium itself occus, and how little is left over for public, to chat, saunter, eat, drink, even - why not? - see and be that for nothing. And, although there is more demand than we can cope with, we all know that it is

But we need more space to serve our customers in, not a ban on their appetites. When the house is redeoped, as it will be by the millen nium, amenity for the public will be serving as a great salon and a log-House are entitled to a whale of a time. We shall not rest content

be approving and Ms Nayler will be signing the cheques.
In this village the war memorial, or the duck pond, might be restored vastly improved. New spaces will be added, with restored Floral Hall and enhanced; in that small town the derelict Methodist chapel might gia looking out over the Covent Garden piassa higher up the House. be converted into an arts centre; in our big cities the municipal art gal-lery might be showing off paintings Those who come to the Royal Opera that were in danger of disappearing abroad. A cathedral might have its until, in every respect that makes bells restored; a country house secure a visitor centre; a decaying mansion be brought back to life The British heritage, so long under threat from foreign predators and domestic neglect, is in line for the motivating force is, of course, the National Lottery. A fifth of its proceeds destined for good causes, an estimated \$150m in the first year

Now, everyone who pays taxes Halcyon days at the opera: but England has moved on since then

Our heritage is ike it or not, and on the whole they do, Lord Roths-child, chairman of the National Heritage Memorial Fund, and Georgina Nayler, its director, seem destined to become in his hands the patrons of our age. From next January, throughout the land, small, and not so small, improve-ments in the cultural and physical shape of the nation will become appearent - and Lord Rothschild will

Antony Thorncroft on the role of Lord Rothschild and the lottery



Lord United the central hall of the National Gallery

natter of the Churchill archive. But in three years there is a real danger that the government will allow the traditional grant to wither away. But this is the least of Lord Rothschild's problems. His main task is to define the heritage and to ensure that the new money is spread impartially around the country. Every region will have its lottery punters and must receive its benefits. Treasured stretches of countryside must be saved as well as paintings and museums. The \$2,000 needed to preserve a village common, up to the £200m which might be required to ensure that the Duke of Sutherland's unrivalled collection of Poussins, Raphaels,

and Titians, remain on loam to the National Gallery of Scotland after About 10,000 requests are anticipated annually and already Lord Rothschild can be seen as the soft cop, prepared to help where he can, while Ms Nayler is the tough cop, worried about establishing prece-dents and allocating money before

been fairly good (to date) about the lottery, regarding it as additional money and, in theory, pledging to maintain current funding on the it has been handed over.

Already, Lord Rothschild has won arts, heritage and sports. Yet it could not resist cutting its annual grant to the Heritage Memorial two major victories in the run up to the kunch. He has persuaded the government to broaden its original Fund by 13m, to 58.6m, for the next three years.

Lord Rothschild has tried to orecriteria and accept that paintings, and other works of art, were objects worth saving with lottery money. memorial projects, on saving for the nation Nelson's letters, Victorian Bad timing, with an early August deadline, makes it virtually inevitapaintings of Florence Nightingale ble that Canova's neo-classical sculpture of the Three Graces will leave the UK for the Getty Museum

in California. But if a comparable work appeared on the market in a year's time the odds are it would be saved. Ms Nayler might draw in her breath, but Lord Rothschild boldly hopes that: "the Three Graces should be the last great treasure to go. In future there will be an acknowledgement that we exist to

Lord Rothschild's second succ was in persuading the former national heritage minister, Peter Brooks, to allow the fund to give for worthy projects. There was little point in contributing towards a new gallery in a museum if there was no money to pay the additional keepers and to preserve the objects.

To a great extent the work of the fund will be defined by the nature of its supplicants. This week the Memorial Heritage Lottery Fund embarks on a proselytising mission around the country, explaining what it can offer. It will also learn more about the needs it will be expected to address. The hope is that it will grow into its job. The payroll has already risen from six to 15. It should level out at 27, a modest task force for the allocation of 2150m. But Lord Rothschild, with his own merchant bank, is used to handling vast sums of money. As a former chairman of the National Callery he also knows his heritage. This very British institution might just have the character and breeding to convert the casual wagers of the public into enduring national

INTERNATIONAL

BERLIN

 The Gershwin musical My One and Only, sung in English by a cast headed by Jodi Benson and Ray Benson, runs till Aug 21 at Theater des Westens (030-882 2888) Shakespeare production at Frellichtbühne Zitadelle in Spandau

is Romeo and Juliet. It runs till Aug 30 (030-331 6920) Maximilian Schell stars as Professor Higgins in a German-language staging of My Fair Lady directed by Frank Duniop. opening at the Schiller Theater on Aug 9 (030-313 5031) A dance festival opens at Hebbel-Theater on Fri and runs to

Aug 28. Visiting artists include Michael Clark (030-251 0144) Neeme Järvi conducts the Gustav Mahler Jugendorchester on Sat at the Konzerthaus in works by Strauss and Schostakovich, with plano soloist Hélène Grimaud

(030-817 3364) Pink Floyd appears at Maifeld Olympia Stadium on Aug 21, followed by Phil Collins

 The 1994 Berlin Festival (Aug 30-Sep 29) includes performances by the Berlin Philharmonic under Abbado, Barenboim, Boulez and Tennstedt, recitals by Pollini, Brendel and Christa Ludwig, guest performances by St Petersburg's Maly Theatre and the Los Angeles Philharmonic, and a focus on the music of Berthold Galdschmidt. (030-2548 9250)

COLOGNE

Alvin Alley American Dance Theater gives daily performances at the Philharmonie from tornorrow till Suri (0221-2801)

FRANKFURT

This year's Frankfurt Festival runs from August 26 to October 3 at the Alte Oper, Highlights include concerts by the Israel Philharmonic Orchestra under Georg Softi, the Gennady Rozhdestvensky and the Los Angeles Philharmonic under Esa-Pekka Salonen, a performance of Mahler's Eighth Symphony conducted by Marek Janows world premieres of works by Edison Denisov, and recitals by Anne Sophie Mutter, Midori and Mitsuko Uchida (069-134 0400)

■ GENEVA

The city of Geneva organises =

series of concerts throughout the summer, often free open-air events. The international music series at New Orleans night on Wed and a Brazilian evening on Fri featuring Jose Barrense Dias, The jazz series next Mon with piano/sex duo Dado Moroni and George Robert. The music series includes & concert by the Grenoble

Chamber Orchestra of Europe under Wolfgang Rihm, Luca Lombardi and

Théâtre de Verdure continues with a at Cour de l'Hôtel de Ville continues Instrumental Ensemble on Sun, also at Cour de l'Hôtel de Ville (022-786 5545/022-312 4353)

HAMBURG

My Fair Lady is in its final week at the Deutsches Schauspielhaus, with Maximilian Schell as Professor Higgins. Aug 10-28: 42nd Street

■ NEW YORK

THEATRE Angels in America; Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestrolica played on separate evenings (Walth Kerr, 219 West 48th St, 239 6200) Laughter on the 23rd Floor, Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 48th St. 307 4100)

Three Tall Women: a moving,

postic play by Edward Albee,

dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droil and delightfut Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 78th St, 239 6200) Kiss of the Solder Woman; essa Williams has taken over

Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239

 Guys and Dolls: a top-notch revival of the 1950 musical about gangsters, gamblers and good-time girls around Times Square (Martin girls around Times Square p Beck, 302 West 45th St, 239 6200 the big musics Damm Yankees: the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as

Lois. The director, Jack O'Brien, has extensively re-written the story, about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 45th St, 307 4100) Crazy for You: the musical based on Gershwin's Girl Crazy

necently passed its second highlight of this giltzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St. 239) Carousel: Nicholas Hytner's bold, beautiful National Theatre

Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200) Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young

production from London launches

boy who becomes a pinball wizard (St James, 248 West 44th St; 239

Lord Rothschild and Ms Nayle will be the conduit for change but

rising hopefully, to \$220m.
When the government was looking for institutions to handle the windfalls from the lottery some

The heritage honeypot became the responsibility of the National Heri-

tage Memorial Fund, a tiny quango, set up in 1960 by the government in response to public outrage over the

sale of one of the nation's most his-

ers. The task of the fund was to try.

with a limited government grant, to prevent any more such acandals. Undoubtedly the presence, since 1992, of Lord Rothschild as chair-

men, has given the fund bottom. He

spent his early career making money and shoring up the heritage and then managed to combine the

aristocratic mansions of London.

Spencer House, and lets it out for business and social functions. More

recently he gave a facelist to a for-

mer family home now in the hands of the National Trust, Waddendon

Lord Rothschild and Ms Nayler have been presented with a monster that could well consume their tiny

ate a new role for the organisation,

concentrating its grants on obvious

tending the wounded, and putting money aside for the yet unresolved

nisation. The government has

Mamor in Buckingha

ned obvious - the Arts Council was in place to distribute the money going to regenerate arts buildings; ditto the Sports Council.

Tony 'n' Tina's Wedding: a wedding at St John's Church, 81 Christopher Street, followed by a reception at 147 Waverly Pla Italian buffet, champagne and wadding cake. Wonderfully tacky -but it's lasted a lot longer than many iages (279 4200)

The Lincoln Center's Mostly Mozart Festival runs daily except Sun till Aug 20. Adam Fischer conducts the Austro-Hungarian Haydn Orchestra in tonight's programme of Viennese classics. Mark Elder conducts the Mostly Mozart Orchestra tomorrow and Wed in works by Rossini, Viotti and Mozart, with violin soloist Itzhak Perimen. There is no Thursday concert this week. Hermann Prey and Shlomo Mintz are scloists on Fri

PRAGUE

and Set (875 5030)

Prague Musical Summer, a concert series organised by the Prague Symphony Orchestra, runs till Sep 6 in three venues - the Church of Saints Simon and Jude, the South Garden of Prague Castle and the Dvorak Hall of the Rudolfinum. This week's programme includes a chamber music concert by Consortium Pragense on Wed featuring works by Vivaldi, Handel and Mozart, and a recital by the Kocian Quartet on Thurs, Next week's highlight is a concert by the **Gustav Mahler Jugendorche** conducted by Neeme Jarvi (02-2489

Tickets and information for other events can be obtained at Bohemia. Ticket International at Na Prikope 16 in the city centre (02-2421 5031) or from abroad at BTI, Salvatorska 6, 11000 Prague 1 (tel 02-2422 7832 fax 02-2481 0368)

■ STUTTGART

LUDWIGSBURG FESTIVAL Christoph Eschenbach Joins the Houston Chamber Players in chamber music by Poulenc, Strause and Brahms on Sat. Later in the evening, Philippe Entremont gives a plano recital. Matisiav Rostropovich s cello soloist on Sun with the Lithuanian Chamber Orchestra. Forthcoming events include song recitals by Edith Wiens and Simon Estas on Aug 13, the Cleveland Orchestra under Christoph von Dohnanyi on Aug 25, and the Pittsburgh Symphony Orchestra on Aug 28 (07141-939610)

VIENNA

 The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for the Wiener Kammeroper's summer performances. The next production is Don Giovanni, opening on August 9 (01-513 0851) Vienna's summer concert series,

Klangbogen Wien, to August 30 at various venues. This week's highlights are a programme of Viennese classics conducted by Yehudi Menuhin on Wed and a Mozart concert on Thurs, both at the Rethaus Arkadenhof (01-4000 8410)

ARTS GUIDE Monday: Performing arts guide city by city.
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guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.

Friday: Exhibitions Guide. European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

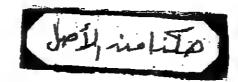
TUESDAY

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

NBC/Super Channel: FT Reports 1230

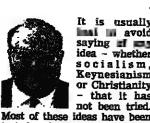
FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430.



Samuel Brittan

Student loans need improvement



It is usually avoid socialism. or Christianity that it has tested to destruction by failible human beings; and there is no point in invoking perfect versions operated by archan-

Where was a scheme in in its very early there is a case for reform before judgement. This applies In Britain's scheme, inaugurated in 1991. One of the pioneers of the in a published in was Professor Edwin West. He has returned to the charge in a paper entitled Britain's Loans Simme in World Per-A Critique | | | | | of Affairs \$4).

The basic loans or their equivalent bigher incomes than Maint of Mainten nity. The conventional emlanation is they benefit from an investment in human capiwhich their may The more heretiall explanation is that degrees diplomas 📰 🔳 🖫 which helps employers photos the while and owns industrious recruits for positions, Irrespective 🖬 😃 value in what they have learned. On either theory graduate on research a lea lifetime earnings prospect than the non-graduate.

If living and tuition costs are completely paid for by the tax-

enance expe

transfer from the control off to the better off. On the other hand some mechanism

required **assist** students who are not easily able to large sums in the martial market. solution a state-supported loan scheme, which graduates and repay when they can afford that any benefits whole economy from the existence in trained graduates should be recognised by a grant in student port, and that the individual should be

The British government has accepted this thinking de facto. As In table shows, public man expenditure on less and mainalready it and is expected to fall further. The gap is being filled by loans, which should are at lar some 30 per and maintenance

The knee-jerk objection in sudants getting into delle is misguided. Mil a normal Ma ture in business and personal life, and in the by people when they buy house. I'm lieu um genuine British model The government is worried by 🛤 exchequer burden and 🕍 contemplating will attempt in persuade the banks to Ondoor wadow lastes or to Victorial the lease in the the government can sell them to financial institutions. That is, however, largely a matter of budgetary cosmetics. The eco-nomic and financial are much lim same H student borrows from financial institution un government

EXPENDITURE ON MANDATORY STUDENT AWARDS JULI LOANS

(ENGLAND AND WALES) £m

ernment for him.
There are more defects in the present scheme noted by Prof West. The the only the principal, adjusted for inflation, and no real interest. A criticism, which should appeal more woung people, is that repayments are made in fixed monthly instalments starting the April after graduation with exemptions for those with than 85 grant of adult earnings. Prof Will would like loan colthrough the income Zealand. This would both enforce and more directly related 🔚 ability 🜬

Other Combo has previously argued for a graduate surcharge on National contributions, without in mechanics

■ loan

all, but involving 🔤 same pattern of receipts and payments. Government opposition in linear ideas ideas ideas ideas ideas fetishism which too frequently him for genuine market economics.

Finally, I loan Limit the income tax - u charge - would make it was to finance port for willing to accept a larger burden after

they graduate. Several decades ago Professor Harry Johnson warned that a large student class, living at a sub-proletarian standard of living, was a recipe in trouble. It need not occur with arrangements for shifting it burden of expenditure and pay-ments over a graduate's life-

470

markets have worried many in

THE FT INTERVIEW: Arthur Levitt, chairman of the SEC



Levitt has a reputation not rocking the boat. Me head

for the past Securities and the Commission, the main investment regulator 🕒 the US, 💵 🐸 year-old Mr Levitt has about not in force extra regulations on the US investment industry. Instead, he has sought an accommodation with

managers and not stop him taking swipe at in fastest-growing part of in stock-broking industry, the commission" business. claim soft arrange form of legalised corruption: an institutional portion of his securities through particular stockbroker in main for services, such as the provision of Reuscreen. The value comwith such strings exceeds the vear. The practice (known in the US dollars") should be banned, Mr Levitt

or right." admits med analyments have less part of head Hadrian". But that was not make him led any the state of t with soft dollars? Yes. Can I? I don't know." For me he is in lin early 👣 of launching 🛚

doesn't is right, smell right

action against 🜬 commis is followed through, be will considerable opposition from the who benefit from them; principally is big To provoke a confrontation would in uncharacteristic for Kun SEC chairman ha ha idaman - a creationale diplomat striving in please both his conpoliticians 👊 Capitol Hill, 🗤 whom he 🔳 answerable.

Take his approach in the markets for derivatives, in complex instruments whose in part on some underlying Illian market. The Mall of trading in derivatives, the increasing complexity we some of the instruments no their potentially demand on other financial Washington. man fruit a repeat of the 1980s deregulation led the collapse

Softly, softly along Wall Street

many of the country's thrift institutions at taxpayer of more than lillion.

Yet Mr Levitt has argued against legislation to extend his agency's powers in this area. Securities firms, which are regulated by their businesses through subsidiaries which are outside the of cy's Instead, Mr began negotiations less month with the six largest dealers on Wall - CS First Boston, Goldman Lehman Brothers, Merrill Lynch, Morgan Stanley and Salomon Brothers - in male a set of voluntary standards that which grows firms' MCritical

The a general legislation at this point, it will take to get legislation, and por cannot be combined with the legislation might all be TI process is cumbersome and unpredict able," he are

II approach acausing cern among some legislators voluntary lack with Mr Levitt months and such arrangements will recently voluntary agreement unicipal make dona-tions is local politicians, practice has had led is allegaagreement is only temporary, and in m im enshrined in new regulations by the relevant

self-regulatory body.

Mr Levitt and anxious
not to provoke anxious derivatives. Legislation way be made in due course M provide a late stop in voluntary approach, he says.

Sill is putting present in the IM ISIN insulted with derivatives by other means. It's month Mr Levitt warned man the me of "exotic" financial products was inapproprisome supposedly lowrisk mutual nimit (similar to with brook in the UK). He was concerned that complex finaninstruments were being



Leatte in the offensive against "soft commission"

used without being fully understood. It urged such funds to sell their holdings if risky derivatives,

To date, the writing of a letter im let u far as the SEC chairman has prepared 🖟 📠 🕪 summarises his approach by saying: "I've tried confrontation. I believe that, in running any institution. good Ildi to change he style every four or we reas If the style M my predecessor [Mr Richard Breeden) was more confrontational, mine consensual."

HM concern about mutual funds' involvement with derivhighlights another priority Mr Levitt in me himself: protection of the investor. "I have moved the

sumer and seas from an One example of the common to protect arrange was his

mutual fund managers faced a conflict I letter when dealing in winner they owned personally. Mr Levitt believed danger il undermining individual investors' confidence in the fund Earlier in your is urged in Investment Company Insti-

hell, a trade miletation for US funds, in introduce a code of practice on the subject. while he must reacher pro-tection at the missis agenda, Ile Levitt Las bern busy encouraging was foreign

exchanges. He

VIIII Germany Intel 114

year for that purpose.

A year ago, when Daimler
Benz became the IIII German seems became the larman company to list the New Stock Exchange, seemed watershed. But further larman have followed. Mr Levitt believes more will come soon. "I think that, five years have now, this will be looked back upon an apparation. We've thrown a legal and the state of the looked back upon an apparation. We've thrown a legal and the state of the looked back upon a legal and the state of the looked back upon a legal and the state of the looked back upon a legal and the looked back upon aberration. We've thrown a lot of elem into this. It's major

MINCHALL

always, Mr Levitt is and it examine of Date roles foreign companies. The SEC's new policy, says, has been to out that are either poorly understood by foreign companies) or conthey're fundamental to my goal of protecting American investors. If they're not finds. mental to that, I'll seek

That not though that the SEC is about to make big changes in help foreign companies. On whether non-US companies should be forced to US accounting and rules, Mr Levitt does not

When will of the American Stock Exchange, W Levitt argued for the relaxation 🗐 regulations 🖿 make it 🚃 for foreign companies = == US Now. nis views have changed: "Probably nothing that more for the Daimler. When they listed, if they German [accounting] standards they ami amitiple Chrysler's, but using III dards ... they showed a less impossible in the to justify In the companies of US investors that inconsistency."

Despite this, the SEC chairman from the promoting to markets internationally main one if his main priori-

When points of great imporand my not involved, his style has been finding produres for admitting foreign companies have been lined, for head "I'm lutely committed res lose America's pre-eminence in this area, and I'il do whatever I have 😂 do 🝱 occomplish that."

Patrick Harverson and Richard Waters

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted in the be clearly typed and that it written. Here set fax for finest

Rwanda tragedy could have been averted with the

Sir, I was delighted, for the bleeding and back in Many beyond the means or political states to approve funds for UN: timer's article, "High price of dallying" (July 27). Mortimer hits in nail on he pays it is fittle for member states to Manua um United enough in when they because it not provide a organisation with

I am not think this in the time in apportion blame; the "International community" finally rushing to aid of the desperate people of Rwanda. tragedy how been averted had member the in the sec-

LINIA SON forms had been in the lin various national armies around the world, as suggested by UN Secretary-General Bout-ros Boutros-Ghali in III Agenda for Peace had penus more effectively in the carnage in Ilman

By warning the Security Council In that II UN might be a to milde zegovina if i peace proposals presented by the 'contact group' war accepted av rejected by the parties, we secretary-general merely being realistic. If the proposals were accepted, enforcing them

Manual experience in the us. If they were rejected ind "disincentives" imposed, that once again endanger the If the peace-keepers.

what they wall their UN organisations to be - a relic the cold war a intilled tiger, or an effective, credible

defender of world peace?
The only point in the only which I object in is author's suggestion of the only UN's Department of Public Information be down it spends in money on journalists' tours II the Middle East make that implified in places such as Rwanda. In

station in Cambodia was approved only mid-way in the mission. 📶 a request 🚾 funds in a main facility in the former Yugoslavia is still encountering difficulties.

In contrast, journalists' tours athe Middle East are limited and specifically mandated by the General Assembly. To sugthe department should be closed down is as if I were to suggest closing the FT because of one article I did not

Sills. spokesman for the females. General,

Different interpretation

Prof C Maynard.
Sir, My Will on US foreign

internation (July 22), now challenged by Thirlwall and Kennedy (July 27), was been on the Denui cal ignorance gratuitously situation on an in the stan on an interpretation of following developments. The last early 1980s, the US current account has moved from rough balance more 2 product.
In the same period, US's real depreciated and relation unit line and how fallen both by about 30 per cent; gross national saving as per GDP and declined from 20 per cent to near 14 per cent; and US GDP is risen by nearly 3 per cent wear while unemployment is fallen from 8 per cent of the labour force to just per cent.

Do the that leconomic growth has tell ber by summers saving and an overvalued exchange rate, a possibility that Thirlwall Kennedy appear in have in mind? 📭 👛 they are support the view that

in problem (if the problem is in the coun-try's low propensity in not in an interval at exchange

When preparing their said tutorial, Professors Thirlwall Kennedy will me doubt bear in mind [mil in this Japan and Germany rose as a proportion 🚅 GDP, 💵 📺 German reunification put special strain on Germany's saving. In both countries, also, national saving as a per of GDP strongly, as did their real effective exchange mus Japan's GDP growth rate was sense int the US - Germany's was a

I do, agree that agree suffers from "deeply rooted" problems, 💷 💷 🖼 UK, France, Germany, Japan, Italy al, although the mann of Item problems no doubt varies from country III coun-

Geoffrey Maynard, Investoorp III

Added value should be real measure for R&D

Ing Mr J Denth Henry.

Sir, Inc. publication of the Department of Trade and Industry's report on Crechnology: Scoreboard, been much none de la subject - yet is limit correlation between R&D and sales, on which the study was be in relation in relation in created – that is bought-in materials

An up-to-date analysis of the PT-SE Non-Financial compashows that 40 per test of the companies dischar FLAO expenditure rather than the 30 ture. If I remaining 60 per cent many in distribution which incur is sigmocer IIII expenditure. For example, Marin and Spencer was list show any RSD but

by suppliers.

The general manufacturing of the FT-SE an being spent on Hall but per 🔤 📓 added value. 📭 company which I greatly
is Rolls Royce
20.62 cent on added value.
Consumer goods, including pharmaceuticals, 🖿 averages per cent on and and value. For Class Change From per cent; for

This analysis shows that total R&D expenditure has by only 45 per cent in the latest year against a 5.5 per cent increase in sales and 4.3 per cent on added value. Howthe situation in the general manufacturing sector is much worse with a 7.42 per drop in the latest year. This has been offset by an 18.74

sumer goods sector. Comparing R&D with divian interesting headline, but 🗎 💵 really a fair basis? Do dividends 📂 depend more anational pracdend practices will always come out favourably.

Having manufacture analyses

international performance, I know 📶 it is not possible 🖪 added I from II Japanese ma similar Nevertheless, it can be done for M European tries. A study using added value would then 🖿 restricted Europe but would be much more would

Britain's domestic product national wealth. Added value our industrial and commercial output added value we must such me the one on R&D. J Dennis Henry

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Guardian Loyal Exchange,

England.

A poetical piano performance

Sir, I object Fairman's patronising remarks
Kathryn Stott's performance the Rakhmaninov July 28). I listened to it

mance poetical, rich mc Mulingworth,

Abbey Villa,

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday August 1 1994

A chance to help Kiev

economic policy, Ukraine finally has a government which appears ready to implement market

Ukraine's new president, Mr Leonid Kuchma, sent a strong sig-nal of his intentions by telephoning the International Monetary Fund the day after his election. The IMF responded with commendable speed: last week Mr Michel Camdessus, the managing director, flew to Kiev and offered to help Mr Kuchma write an economic plan. The US, which appears to have recovered from its initial distaste for Ukrainian independence, has followed suit, dispatching Al Gore, vice-president,

Sceptics may argue that it is too early to judge Mr Kuchma's poli-cles. Nevertheless, the IMF and the US were right to seize the opportunity to encourage reform not least because of Ukraine's size and crucial geo-political location.

A stable and prosperous

Ukraine would be one of the best guarantees against the emergence of a neo-imperialist Russia and a welcome neighbour for the economically more robust, but politically vulnerable nations of eastern Europe. However, continued eco-nomic deterioration could inflame both nationalists in the west of the country and separatists in the east, creating conditions that might lead to civil war.

That is why the west must folow-up its flurry of flights to Kiev with a concerted effort to nudge Ukraine on to the right economic course. The IMF has already offered Mr Kuchma its usual advice: support the tight monetary policy of Ukraine's surprisingly good central bank, produce a budget which is balanced, or nearly so, and liberate the country's omy from the administrative hondage which is restricting the development of its potentially vibrant private sector.

Currency stability

This is sound policy so far as it goes. But Mr Kuchma should be urged to go further and the IMF and the Group of Seven leading industrial countries should be urged to give him the wherewithal to do so. One need is to make a mitment to exchange-rate stability. Another is to yoke sound macro-economic policies to radical

structural reform. For Ukraine, that means starting to shut down inefficient heavy industries, while creating a social-welfare net able to support the workers who will lose their once secure jobs.

Paradoxically, Mr Kuchma, who Russia spent his career in the heart of Ukrainian heavy industry, is well placed to deal with his country's rust-belt. He speaks the language of Ukraine's industrial barons and, during the presiden-tial elections, won a land-slide in would be hardest hit by radical reform. His distaste for the nationalist rhetoric which his predecessor, Mr Leonid Kravchuk, employed as a substitute for eco nomic policy should prevent the new administration from wasting

its time bickering with Russia.

Financial resources

Even with these political advan-tages, Mr Kuchma will need substantial financial resources if he is to persuade his country to endure the initial pain of market reforms The \$4hn promised by the G7 would be a start, but much of this money is ear-marked for dismantling nuclear weapons, cleaning up the aftermath of the Chernohyl nuclear accident and technical assistance. In addition to this, the west must also directly support the budget and the currency. One measure worth direct assistance on the right terms would be the New Deal-style public works programme Mr Kuchma would like to

ubstantial, for two reasons. First, Mr Kuchma's tentative conversion to the market must be seen to be rewarded. Otherwise, Ukrainians who still have a touching, indeed naive, faith in western financial institutions, could become as disti-lusioned as their Russian cousins. Second, Mr Kuchma needs the

political leverage a substantial western aid package would give him. Ukraine has not yet resolved the three-way power struggle between the presidency, cabinet and parliament which, in Russia, ended in bloodshed last October In pursuing tough economic reforms Mr Kuchma faces a flero battle with Ukraine's conservative legislature. Ukrainians should be made to understand that the west is in their president's corner.

Outing the insiders

The Department of Trade and Industry's decision last week not to take action over allegations of insider dealing involving the former deputy chairman of the Conservative party, Lord Archer, pro-vided an unrevealing conclusion to a bizarre episode. Whether the move by Trade Secretary Mr Mich-ael Heseitine to publicise the investigation cost the ever-controversial Tory peer a ministerial post remains a matter for conjec-ture. But at a more mundane level the saga raises questions, once again, over the extent to which the approach to insider dealing in the UK stands up. In the nature of things insider

dealing is difficult to prove. It is not a victimless crime, though contrary to popular belief the bigers from insider dealing tend to be market makers rather than small investors. In the open, international environment that followed the liberalisation of the old London Stock Exchange, the club ethic ceased to offer workable penalties. If insider dealing had not already been made illegal in 1980, new legislation would anyway have been needed after Big

The paradox that confronts legislators is that insider dealing arguably makes for more efficient pricing. This is because the practice causes information to be reflected more quickly in share prices. Yet such efficiency is gained only at the cost of some loss of investor confidence in the market itself. It is no coincidence that in many countries where insider dealing has been rife - for example, in southern Europe stock exchanges have remained backwaters in their domestic economies. Companies have suffered from the adverse impact on the availability and cost of capital.

Weak rules

Equally important, from the point of view of London's international role, is that the preferred rules of the international capital markets are American ones. Most US institutions, while hostile in principle to over-regulation, regard weak insider dealing rules

with unease. The case for legislation is thus powerful. Yet controversy remains inescapable because of difficulties of definition and proof. No one can vised to ignore.

mere 34 prosecutions in 14 years have delivered just 23 convictions and 29 acquittals invites unflattering comparison with the record of the US Securities and Exchange

UK record

In an attempt to improve the UK's record, the government has refined the insider dealing rules in the Criminal Justice Act, which came into effect on March 1. But although the act considerably widand of inside information, it remains to be seen whether it delivers more convictions. The central difficulty facing prosecu-tors - establishing that someone knew that he had sensitive unpublished information - remains as high an obstacle as ever.

None of the remaining policy options are foolproof. Encouraging companies to reveal more information in order to reduce the poten-tial value of insider trading is subject to obvious constraints where the information could be commercially damaging. Publicising all tentative bid approaches would create a false market.

Another option would be to remind traders that they are being watched with increasingly sophis-ticated technology, and hope that this would act as a deterrent. The London Stock Exchange has made much of its ability since Novem-ber, to identify the names of brokers' clients soon after they deal in shares - a blunt sanction, but one that nonetheless bears think-

A third route would be to give the authorities at least some of the tools enjoyed by the SEC. Unlike its British counterparts, the SEC acts as both investigator and prosecutor, and can bring civil prosecutions where the burden of proof is lower than that in criminal cases. Plea bargaining frequently then leads to fines and to the surrender of profits without admission of guilt. The approach is at least flexible and the punishment is more appropriate to the crime. These are both merits which ministers would be ill-ad-

"I hope my fellow heads of government will resist the temptation to recite the mantra of full economic and monetary union as y nonney had changed. If they do recite it, it will have all the quaintness of a rain dance and about the same potency."

an instantaneously noto-rious article for The of the Maastricht treaty he had fought so hard to enact. Yet there is an excellent chance that this narticular piece of wisdom, albeit increasingly conventional, is quite wrong. Some continental politicians agree that the Maastricht timetable is no longer realistic. Not surprisingly, this is particularly true in Germany, where the notion of sacrificing the beloved D-Mark in favour of what has been condemned by one Bavarian politician as "esperanto mey" is decidedly unpopular.

In June, Mr Gunter Rezrodt, the German economics minister, said that a single European currency might not be realised until 2001. In similar vein, Chancellor Helmut Kohl and Mr Hans Tietmeyer, the Bundesbank president, have both emphasised that maintaining currency stability is more important than sticking rigidly to the Mass-tricht timetable. British Tory politicians find the

ides of Emu too painful to contem-plate since it might spell the end for their party. As for Mr Kohl, he has made a commitment upon which he can hardly renege if his country is to retain its credibility abroad. Yet the consequences of living up to it could seriously damage his popularity at home. When confronted by alternatives so unpleasant, a natural response is to pretend the choice will not arise, or at least not soon. It is certainly a natural response for ote-seeking politicians. Yet there are strong reasons for

believing Emn will happen. The first is that influential people in Germany and France remain convinced that closer integration between their two countries is in their interest. For Mr Kohl, who looks increasingly likely to retain power at the forthcoming German neral election, this is an article of faith. As for the French policy-making eithe, whose hold on power is unlikely to be shaken by next year's presidential election, it wants Emn not just for broad political reasons, specifically to obtain influence over German monetary policy. If the French were to request Emu when the treaty says they are enti-tled to do so, could Germany refuse?

Second, many European policy-makers believe that a single market must have, if not a single currency, at least currency stability. This desire makes 5mu still more important than before last August, when at least there was the hard ERM. The present provisional arrangement, with its 15 per cent divergence bands, has proved more stable than might have been expected Indeed, one of the reasons for helieving a move to Emu would not be too disruptive is that the French franc is back within the old 2.25 per cent divergence band from its central rate against the D-Mark. The and Irish punt. It is almost true for the Danish krone, while the Dutch guilder never even moved into wide bands. Yet such stability cannot be

guaranteed, it is argued, except through a currency union.

Finally, the loosening of the ERM has demonstrated that a currency union is different in kind from an adjustable-peg exchange rate system. An Emu would be binding It is frivolous to pretend that failure to meet arbitrary convergence crite-ria by 1998 would make Emu unsafe, while success by, say, 2001 would make it sale. So why should EU member states not attempt to

use the dates they have already set? The obvious answer to that ques-tion is that the criteria laid down in the treaty, albeit arbitrary, are likely to prove an insuperable obstacle to Kmu by 1999. But this is to furget the subtlety of the treaty. The relevant criteria fall into three groups, for inflation and inter-

The sound of

M Sergei Mavrodi, boss of the

testering MMM financial pyramid has been unusual among Russia's

nouveau riche in being discreet to the point of invisibility. There

descent, and is thought to be Russia's fourth richest person.

exists no known interview with

However, his approach to

business communications is starting to catch on. Those who

once gave interviews freely, now

ration their time - less because they grudge wasting it when they

could be making money, more for

reasons of security: concealed in a tape-recorder could be a bomb.

Konstantin Borovol, once the

motor-mouth of Russian business

and one of the first to make it big-through his Moscow Commodities

Exchange - is now rarely featured. Oleg Boicko, the man behind the

Russian Credit Bank, has never been a great talker, and Vladimir Gussinsky, reputedly Russia's wealthlest man, prefers the phone

Mayrodi also shares his fellow

tycoons' belief in mixing business

and politics. When MMM began to

crumble, he threatened to use his

referendum on the government's

performance. Borovol started his own Economic Freedom party,

10m shareholders to force a

silence

rest is slience

these days.

A currency union embracing most of Europe cannot be ruled out by the end of the decade, says Martin Wolf

Emu may not be dead, after all

for fiscal policy.

ner price inflation must be within 1% percentage points of the level in the best three members. within 2 percentage points of bond yields in the three countries with the lowest inflation rate. The Commission's latest forecast for 1994 inflation makes the three best per-formers France, Denmark and the Netherlands (see chart). Belgium, Germany, Ireland, Luxembourg, and the UK all meet the criterion. In early July, these countries also met the interest rate test.

The treaty was written on the assumption that Enn would emerge out of the ERM with narrow bands. was that "a member state has respected the normal fluctuation margins provided for by the EMS without severe tensions for at least the two years before the examination". The current wider bands normal. Those with an excellent chance of meeting this criterion are Belgium, Denmark, France, Germany, Ireland, the Netherlands and hourg. Others may, too.

Fiscal policy appears, at first glance, to be the paramount obstacle. On closer examination, however, this obstacle too disapp The treaty offers two fiscal "reference values", namely, "3 per cent for the ratio of the planned or actual government deficit to gross domestic product at market prices" and "60 per cent for the ratio of government debt to gross domestic product at market prices".

On Commission forecasts, Luxembourg and Ireland should meet the deficit criterion this year, although Germany and the Netherlands will come close. The public debt criterion should be met by Germany, France, Luxembourg and the UK, although Spain is very close and. Portugal not too far away.

If unchanged, the fiscal position would appear to preclude Emu by

early 1997, when a majority of members would have to satisfy all criteria. Furthermore, if Equa is to start in January 1999, it appears that there will be few participants. A tary union between Germany and Luxembourg would seem the definition of fatility.

This analysis is misleading, howdure of the Maastricht treaty, of which the reference values are tion, the leading role in applying it falls on the Commission, hardly a

Germany is the only plausible obstacle to Emu, since one without it would rob the project of its purpose

disinterested party.

The latter is enjoined to identify "gross errors". It is a gross error, for example, if the "planned or actual" general government deficit is in excess of 3 per cent of GDP, "poles of the public of the pu "unless either the ratio has declined substantially and continuously and reached a level that comes close to the reference value; or alternatively the excess over the reference value is only exceptional and temporary and the ratio remains close to the

helps out Grigoy Yavlinsky's

his own restaurant to have somewhere safe to eat and his

Doctor on call

council has watered down the

be too much to ask US news organisations, such as CNN, to

report the work of a well-known

such as Médecins sans Frontièr

without feeling it necessary translate its name into Doctors

Hi-di-hi, Trevor

another handsome profit.

Can Trevor Hemmings do no

wrong? If weekend press reports are to be believed the former builders'

lad from Lancashire is poised to sell

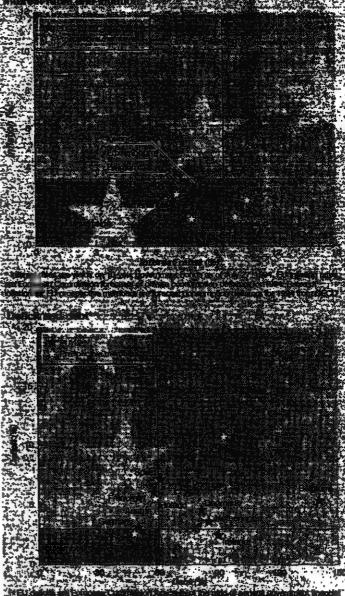
his string of gambling casinos, including Maxims, Charlie Chester's and the Golden Horsehoe, for

It is the latest in a series of deals

without boundaries"?

ternational relief organisation,

Finally, all live in fear, behind



error if the ratio of general govern-ment gross debt to gross domestic product exceeds 60 per cent, "unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace".

to explain why Belgium, France, the UK and Denmark cannot meet the deficit measure. Furthermore, economic recovery should make it feasible for all of these countries to cut their deficits further. Most already

have plans to do so. Ratios of debt to GDP cannot be adjusted as swiftly as can deficits. Furthermore, three member states an forecast to have debt ratios of above 100 per cent this year. Italy, Greece and Belgium. In addition, Denmark, the Netherlands and Ireland have ratios well above 30

The question, however, is whether debt ratios will be judged to be "sufficiently diminishing". If a country maintains a large primary budget surplus - that is, excluding interest payments - that ratio will indeed tend to diminish. Of the high debt countries, Belgium, Ireland, Italy and the Netherlands all had significant primary surpluses last year. Though generally smaller this

sion may be able to argue that the eight countries which meet the inflation and interest rate criteria also meet the fiscal standards. It

Ireland does not fail the fiscal tests,

low deficit. The Commission should

also be able to get away with this Never underestimate the European Union's fear of failure and the tyranny of the

sleight of hand, since the Council "shall, acting by a qualified major-ity on a recommendation from the Commission (my emphasia) ... de-cide ... whether an excessive deficit initiative. Thus the supposedly awe-some fiscal criteria vanish, leaving but a grimace behind. The Maastricht treaty offers two specific dates for the move to the third stage. The first is not later than December 31 1996, by when the

deadline

The health or otherwise of

politicians, apparently. The hundred members of the Great

Beyond have been winning and

various big-name appointments

It works like this. Each trader

by picking names from a hat.

Whoever's celebrity dies next

pays \$10 up front to join, and a \$5 monthly membership fee thereafter. He or she gets allocated a celebrity

To qualify, the famous persons -

ranging from Mother Theresa to Gene Kelly – have to be over 50 and not too well. Excitement is running

high at the moment because "no

one" has died for three months so

there is about \$2,500 in the

Forget Whitewater. US TV

with St Peter.

secons the pool.

O.I. fixed

losing money for the past couple of years according to the timing of the

celebrated movie stars and

Council, acting by qualified majority, shall determine "whether a majority of the member states fulfil the necessary conditions for the adoption of a single currency, decide whether it is appropriate for the Community to enter the third stage, and if so set the date for the beginning of the third stage". Seven members — Belgium, Den-

mark, France, Germany, the Netherlands, Luxembourg and Ireland - may be judged to meet the criteria in 1996. The UK is likely to pass all except the ERM criterion. But Denmark and the UK have their hard-won out outs from the third stage of Emu and are excluded by the treaty from any potential

By then, however, the EU will have been enlarged, in theory by four members. Norway already meets all the criteria and Austria almost all. Although not a member of the ERM, Austria possesses the most stable of all exchange rates against the D-Mark. Finland might well meet the criteria too. But Sweden looks likely to be excluded by its daunting fiscal crisis. Neverthe less, the number of countries meeting the conditions and not having opt-outs could well be nine out of 16

If the member states decide in 1996 that the conditions are met for the EU to enter the third stage, they must then set the data. They could set 2097, for example, not 1997, Yet it would ruin the EU's credibility. If they do not make a decision in 1996. the treaty requires Emu to start on

ermany is the only plausible obstacle to ima, since one without it would rob the project of its purpose. That many formans are uncomfort able with we idea is obvious, but damage. What is more, the German constitutional court is not likely to prove a decisive obstacle. It has insisted, quite rightly, that the rules laid down in the treaty must be followed. But those rules are themselves judgmental. Provided the procedures are followed, there is no obvious legal basis for complaint.

Some may object that this analysis is insufficiently political. But it is precisely through legal obligations that European integration proceeds. There was, after all, also scepticism about the ability of the EU to meet the 1992 date for completing the basic legislation relating to the single market. Never under stimate the EU's fear of failure and the tyranny of the deadline.

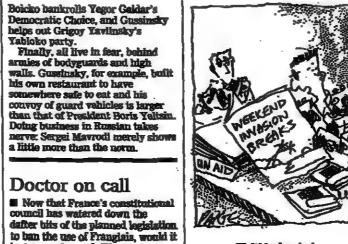
Politics might arise in other wave Germany could, for example, use the threat of being difficult to obtain concessions on political integration at the inter-governmental conference due in 1996. But the Germans are not in a good position to insist on a quid pro quo for Emu. Mr Kohl presumably knew what he was doing when he sold the pass, even if he does not care to tell his electorate now.

One way to make the move to the third stage more palatable would be to have irrevocably fixed exchange rates, but make no early moves to a single currency. Technically, all that would be needed is an open-ended commitment to support member currencies vis à vis one another, combined with a common monetary policy. The latter is what the European Central Bank would provide, Meanwhile, the angst of the man on the U-Bahn would be assuaged by continued circulation of his beloved D-Marks.

Mr Major may be unwilling to Mr Major may be unwilling to contemplate the possibility, but the dissolution of the ERM does, if anything, make Emu more probable, because more urgent. By the end of the decade an Emu embracing Austria, Belgium, Finland, France, Germany, Ireland, Luxembourg, the Netwertable Even the participation conceivable. Even the participation of Italy, Portugal, Spain and Sweden cannot be precluded. Would Demmark and the UK then say no? The prime minister was wrong.

This rain dance is potent - and could be followed by a downpour.

OBSERVER



'Haiti looks nice' which has made the 59-year-old Hemmings one of Britain's richest entrepreneurs. According to the Sunday Times he is worth £175m or more than three times as much as Lord Hanson

Hemmines is not known as a high-roller but when it comes to buying and selling businesses he's the man with the lucky touch for the moment

His first big break came when Sir Fred Pontin asked him to build him a holiday camp in Southport in 1967 and Hemmings became Sir Fred's right-hand man. After Pontins lost its independence, it was Hemmings and not Sir Fred who bought it back from Bass in 1987. Quickly, he more than doubled his money by selling

another brewer, Scottish & castle. Since then Hemmings has been

doing more of the same - buying low and selling high. Apart from owning £84m of S&N shares, he also has a seat on the board and a fl4m stake in Wain Homes, the recently-floated Northern house builder, plus a raft of properties and When the receivers were called to

to John Ashcroft's high-flying Coloroll, Hemmings was one of the first to pick up the more valuable pieces and it seems only a matter of time before his son of Coloroll re-smerges on the stock market. Given Hemmings undoubted figir for wheeling and dealing for his own private account, one wonders how he finds time for his day job

running S&N's leisure and property

Greffiti

DOW?

Ken Tough, Her Majesty's Greffler in Guernsey, has been tidying up his island's company register. Among the hundreds of companies struck off was Heare & Theyre Holdings. Wonder which tax haven it is in

On his death bet What fascinates New York commodity futures traders more

accused of murdering his wife, than the murky financial affairs of the US president.
Indeed such is the level of interest in next month's trial that it has spawned the following quin: "Knock knock"

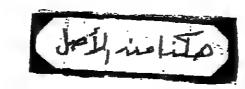
audiences are far more interested in

O.J. Simpson, the US football player

the televised pre-trail hearings of

"Who's there?" "O.J."
"O.J. who?"

"All right, you're on the jury."





Monday August 1 1994



Security Council sanctions US military action | Milosevic

UN supports force to remove Haiti junta

By Edward Mortimer in Washington

The UP Security Council yesterday gave US President Bill Clinton permission 🕍 🏻 🚾 Haiti and remove III military eaders by force as and when he feels like it. Sources within the Clinton administration said this did not necessarily mean an inva-

The UN resolution, passed by 14 votes to none with China and Brazil abstaining, employs the formula first and for an Gulf member states to "use all neces-sary bring do in objective, in this case the departure of Haiti's military leadership under General Raoul Cedras.

The decision was legitimised by a letter sent to the Council on tide, the elected president, whom

Mr Aristide had refrained from calling publicly for a US inva-sion, on the grounds that he is tian constitution. Now, he has remove the military which, like "all sary means", is a transparent euphemism for lib and force.

The multiple of a "multinational force under unified command and control" but is understood to mean 🛮 🗷 💵 with token help from a 🛌 Latin American or Caribbean Once military lade are

niamil and secure and toll environment established", this would be replaced by a more traditional UN peacekeeping 6,000 men, help Mr Ariable impose les and reder experts on Haiti, this longer term task presents much greater diffi-

than be initial on. There is little support among the US public for an invasion except in the influential black caucus in Congress and in parts of Florida where it is seen as the best hope of ending the flow of Haitian refugees. In the past month, the US has been housing Haitian refugees at its naval base at Guantanamo in Cuba, rather than allowing them into Florida, and the outflow has dropped.

in Washington longer expect invasion, threat of invasion, plus tougher sanctions imposed by the Security Council in May, to try to

Toubon pledges to continue backing French bons mots

By Alice Rewsthom in Peris

Jacques Toubon, the culture minister, yesterday continue sial campaign to protect the French language by restricting the man foreign words, despite the opposition with the Constitutional Council.

The council, the official body assessing whether new legisla-tion is valid, this weekend stymied Mr Toubon's attempts at linguistic protectionism by concluding that he was not legally antitled to forbid the public from

using cartain words or phrases.

The council based its decision on the Declaration of the Rights of Man, which dates from the 1789 French Revolution and states: "The free communication of thoughts and opinions is one of man's most precious rights: each citizen should be able to speak, write and publish freely." Mr Toubon, whose language campaign was greeted by general scorn earning him the nickname "Mr Allgood" (the English lation "Toubon"), said on

"People may snigger and joke at Parisian dinner parties, but how many ordinary French people actually go to fashionable din-

3,000 French words.

limited m public organisations, advertising and media. The failure to use a warable French word in public signs. advertisements and official correspondence is punishable with a fine of up to FFr50,000 (£6,000). But it will be left to the courts to decide whether the use of a foreign word is legally permissible, thereby making it very difficult

tice. The council's decision has

coni's assets in a foundation

which would be run by a board

"completely free from any asso-

clation with the boss of Forza

Mr Scalfaro's objections cen-tred on him being required to play a role that exceeded his con-

stitutional powers as head of

state. The president, he said.

could not nominate such a com-

Scalfaro was reluctant to nomi-

nate a commission when he had

Some political analysis said Mr

received with relief in

Proper have only one man of many Toubon, with the been by unflattering compari-Socialist predecessor, Mr / 1

Mr "volca"s proposals, wald form part of a general campaign of cultural days limited including anti-Hollywood lobby M limit menant Can negotiations and proposals to impose French mand quotas" ou radio stations, were ridiculed in the Mr Toubon even the smominy on his must birthday of hearing the guests at an official ceremony serenade him with a chorus of "Happy Birthday Mr

Le Journal du Dimanche, the popular Sunday paper, cheerfully hailed the council's ruling as "saying 'OK' to 'travelling', 'cor-ner' and col". An editorial in today's edition of Le Monde the prestigious daily, concluded "Good sense has triumphed".

to co-ordinate with the speakers

Yesterday, both the president's

office and that of the prime minpains to play

any differences. Nevertheless, the president's was widely

seen as a polite way of saying the proposals had been rushed

through without proper consul-

The opposition is likely to take

a tough line against the Berlus-coni plan in tomorrow's parlia-

of the two houses

mentary debate.

FT WEATHER GUIDE

Berlusconi under increased pressure China shares

Continued from Page 1

shares would depend on "market conditions" and on companies' that foreign companies had limited listing in Shanghai and

Japanese investment houses, buying B-shares, but in Shanghai and zhen are jittery. Indee are down 30 per cent this year.

cil's ruling was simply "a techni-

However, Mr Toubon has been left with very little room for manoeuvre. Originally he had in made that foreign words should be replaced in all forms of public communication by the equivalents laid in specially-prepared glossary of

Following the council's ruling to apply Mr Toubon's law in prac-

backs plan to end war in Bosnia

By Bruce Clark in London

Serbia's President scalating economic sanctions, yesterday urged his kinsmen in to accept an internationally spon-plan war in republic

It Mr Milos-expressed unequivocal backing initiative designed by the "contact group"

The group's foreign minimum al in Grana at the weekand pledged 💹 intensify 🖼 🗀 punitive against II

accepted.
The manager did and a second littles of the irrn on arms man in Mosiem-led government, although are enjoys and Support in W. II.
Mr Malcolm Rifkind, III.

defence secretary, said yesierday that Britain still opposed rescind-ing the embargo but and not on it.

reaffirmed that Britain world pull out its troops if arms when to Bourse were sufficiently and and less was already seriour mounts affect Mr safety of In contingent.

III III said in a min Belgrade: "Without days a compromise necessary. more just the war and life and within man prevail over destruction. Manda Kozyrev, fla Blan the foreign minister, impraised the makes for helping the

Mr Alija Izethegovic, I nia's Muslem president, complained that III measures announced 🕍 Geneva were too aiki. The live minimus people n tighten sanctions against Serbia, and tougher enforcement of the designed in protect ii

The ministers said they insist ar closer monitoring of Serbia's borders, especially in with the Yugoslav republic of the time through which passing unimpeded.

Talks hold war at bay, Page 2

Mr Liu said in the reparatory work. He also noted Shenzhen, depending on convertibility.

Foreign institutions, including

Europe today

Continued from Page 1

as an impartial trustee for the

prime minister, who is principal owner W Fininvest.

Mr Waited 24 hours

before commenting on Mr Ber-

hisconi's proposals - in

to the immediate response from Mr Glanfranco

Fint, the management

MSI/National Alliance, the other

main partner in le right-wing

coalition. Mr Flat was

to place all Mr Berlus-

Many parts of Europe will continue to be exceptionally hot. Central and northern Germany and Poland could have temperatures as high as 38C. At the same time, much cooler air from the Atlantic will try to push in from the west. This scenario will trigger numerous thunder storms over France, the Low Countries and Germany Some of the storms could be heavy with half and damaging, gusty winds. The British Isles and all of western France will see improving conditions later on. The be quite settled and sunny. Central Greece will have scattered thunder storms. Northern Europe will have mixture of sun and showers. Finland will see a lot of cloud and outbreaks of thundery rain.

Five-day forecast

After a short cool spell, western Europe will experience another rapid warming trend. resulting in the continuation of the heat wave. Germany, Poland and the Balkan states will be again the hottest places with temperatures above 35C. France, the Low Countries and Germany will have scattered locally heavy, thunder storms later in the



whole has reason to worry about the US Drug Administration's refusal Pepcid, Merck's anti-ulcer drug, as a hearthurn edy. Many of the drugs which fuelled growth is the USE are now hears patent protection. Will watered versions directly to arrange

prescription an important line of defence. Yet FDA's reluctance prescription drugs for sale over the suggests that the US regulators do not share the industry's enthusiasm. Merck's lithma is especially warm

news for Ches. See he hopes for its own ulcer drug Zantac as an indigestion remedy. I malliful lection which had in picer compound Tagamet inhall if the FDA R nat alone in falling in a di authority's stringent criteria. But for Tagamet which is already patent protection. With in line of patients already land with Tagaand and prescription form,

are high Waltered which hopes in sell in enti-viral compound In-last without I prescription in **L**US, in the tall-biting months ahead. Warner Lambert, which will help promote will Zantac and Zovirax II they are approved, also has a lot riding on the FDA's decisions. While satisfying La actions in the sever going in he easy, the migration 🐗 pharmaceuticompanies him walls care lain la danger al being stopped

Merchant banks

The flurry of bids in UK food retailing is a reminder that life is not as bad for the merchant banks as their market performance might suggest. The sector has dropped by 16 per cent this year, roughly twice as far as the mar-ket as a whole. Kleinwort's tender this week will give some indication of whether merchant banks deserve to be treated badly, but there are grounds for doubt. Not only III equity and gilt market turnover hold up well during the first half in spite of falling prices, there was also III active US market in new issues.

Two other points suggest investors are wrong to link merchant bank pertoo directly in the equity market. The first is that several now appear to be basing pay more closely the thus

Alternative medicine

THE LEX COLUMN

1871 79

more easily able to rein in costs when drops. The larger merchant increasingly active on will strengthen Schroders' position in the US. But even smaller letrater his aftern if one compete globally ir privatisation

This is 1994 will turn as good will turn Warburg's annual meeting 3 realistic that the sum business pipeline in particularly full and in the longer structural change may apparent. The capital markets should market to capture from control in a larger continue to diversify They in enjoy greater growth prospects volatile earnings. Currently depressed prices ignore the altogether.

UK economy

The Bush of England's later quarterly bellow deels light on the rive growth of invested in the la fac upturn. In the by companies is certainly growing more slowly than during previous upturns - 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 In spending held it unusually well during the recession. As the chart shows, in the percentage in the til product is now much higher than in the early livestment through mention the exchange Company balance above. On a replacement that basis, capital gearing the economy is not far below the peak named in 1861.

But while that might discourage some companies investing, I bigger barrier is uncertainty in the economic prospects. The Bank's straw poll - taken in March - found that companies were unwilling in impane

investment in all firm evidence of rising demand. Similarly, only II per cent if companies in their hurdle rates is return in new investment to take account of low inflation. Corporate Britain is clearly sceptical about promise of stable, low-

inflationary growth.

Such a conclusion tallies with surveys by M Confederation of British industry. It is the consistent with investment during recession: companies usually demand I lower rate of return from in the in etc ciency rather than capacity. The outinfor growth is inclouded than
when the poll, so the
emphasis slowly switch towards
increasing productive capacity. government companies to keep hurdle rates, though, it still thing to prove on inflation.

Underwriting fees

The literal debate deal underwit ing, which has been fanned by the latest OFT investigation, is ultimately a light between lenders and borrow ers. The Mc City battalions are deter to protect pre-emption rights risk premium for lending capital. current underwriting under guarantees that a company will always receive 🖿 money. 🖼 🗎 an

advantage be be lightly. Companies respond that a fixed commission of 2 per to to justify is any benditions approximating a real Yet the biggest dis advantage 🛒 the current underwriting structure in the required for to price - typically 15-20 per cent. That risk cushion is too plump for all but the mail entones circumst Companies of different prices for capital in the in market depending their financial strength. Why should as same considerations apply in III equity market? Option pricing methodology certainly sug-gests III III discount could III rowed in the majority of man

The result in that UK companies a higher and for equity capital then competitors in most other inches rimined countries. It means that earn ings growth is consequently slower, yields in higher and the land returns in shareholders are likely in the earned for guaranteeing name nies receive capital my in justified But institutional investors - ... companies - would ultimately benefit if they prepared to support a

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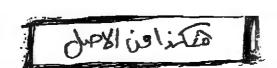
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COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED

Monday August 1 1994



Board

split at

MARKETS



RICHARD WATERS: GLOBAL INVESTOR US equity Investors seem M have timing partly right m Japan. Thanks to Wal US currency's and Japanese market showed returns of 17 per cent in the first quarter in dollar terms, and man 6 per cent in the man Page III



MARTIN WOLF: ECONOMIC EYE on whether wall therapy now in. It Unfortunately,

investing in Italian government bonds to me for the faint-hearted, given the country's tradition of political turbulence, so M was drop in the market should come as no surprise to the

Investor, Page 20 Investment strategists

congratulating the London manual on successfully shifting from an harmonian to an earnings described phase, all the old fears seem to be returning. In the US, however, the outlook 📭 📭 🚮 🛍 decidedly buillish. Indeed, in recod on Wall Street in turned full circle in the past seven days. Page 21

EMERGING MARKETS:

investment bankers are charged with bringing another 40 Greek companies to the by the end of the year. Since January, scarcely week has gone by without a new public offering or a capital increase of a company already listed.

The murky events of last Friday in UK money have brought sterling in a new stage on to reign exchanges as making and to see whether IIK interest rates are raised. Page 18

Leading commodity markets with manus serious question make hanging investment. After the recent fireworks coffee prices have been After the recent introduction context process have comthe US funds. P 18

LE COMPANIES:

The government is clamping imm on insolvency practitioners and fail to provide the remains would lead in if a magnet of collapsed companies being disqualified. Page III

INTERNATIONAL COMPANIES: WWF Im German chemicals group, has postponed investment in Italy mment-inspired price reforms. Page 17

Base lending rates
Company meetings
Dividend payments
FT-A World indices
FT Guide to currencies
Fornigo exchanges

London recent issues . London share service 25-27 Managed fund service 23-26

Share price (pence

450

300

250

150 %

1992

DUTCH CHEMICALS

Signs that jam will

soon sugar the pill

Nobel DSM, expected

they release their second-quarter

results on Wednesday.
Of the Companies, DSM

expected 📰 🔤 🔤 stronger rise,

corresponding quarter of 1993 was

🚾 🚧 profits of between 🎮 🛶

profit of just Fl4m a year

same quarter of 💹

particularly weak. Analysts we looking

sectors such as pharmaceuticals means

that its second-quarter figures are

cyclical than DSM's, is forecast to show

rise of 25 per west ## more from the

Both companies expected to benefit the Europe's from

The two companies' results are

regarded as important pointers for

sectors likely is benefit most from

Amsterdam Est Exchange. Shares in

both companies rose sharply, early in 1994 as investors began 💵 🚞 📺

higher _____ growth in Europe. The weakness of the dollar sent the shares

since recovered to trade within reach of 12-month highs set in spring.

lower in early summer, but they have

other cyclical on the

(£12.9m) and F170m compared with a

Akzo Nobel, whose presence in

mainly because 🔤 position as a commodities producer meant

that be performance in the

The Law Dutch agroups, Alim

confirm growing signs 🔳 🚃 in

the European diministry when

Merck fails to gain US approval for over-the-counter sale of Pepcid

Blow to hopes of giving drugs new life

By Paul Abrahams in London and Patrick Harverson and Richard

The failure of Merck, the biggest drugs group, in gain approval from US regulators for Im over-the-counter in if Pepcid, in heartburn below is blow companies' hopes for switching prescription medicines

to shelves.

The by US Food and Drug Administration advifollowed similar rejections earlier in the for SmithKline Beecham's heartburn medicine Tagamet Upjohn's Rogaine, a treatment for balding. Drugs companies have seen banking 🗰 extending 🖼 prodtheir medicines their patents marketing them without prescriptions. other groups hoping convert the their drugs from prescription-only to OTC. particularly in III pain-killer

Last mak's rejections when the question of whether there particular problems with three drugs or whether such strategies, involving powerful medicines being in superwithout a pharmacist's advice, fundamentally flawed. about lie individual drugs, but three refusals in U days

In Upjohn's and there were clearly problems with both 📧

reputation with the FDA = tainted by concern accuracy of clinical trial is for Halcion, a sleeping pill. The adviabout allowing potentially powerful drug becoming available on supermarket shelves for baldness - a non-serious condition.

In for SmithKline Beecham's Tagamet, the committees

drug's along in particular its interaction with other, willity prescribed, medicines.
The refusal by the FDA OTC and gastro-intestinal advisory

committees to recommend Pepcid reflected concern about its effectiveness. Merck presented data from trials using doses of 10mg, compared with usual prescription doses of 20mg-40mg.

had failed to demonstrate that the drug consistently provided relief from heartburn or consistently prevented heartburn from

More generally, the committees are worried about recommending potent medicines such as Pencid class of drugs called H2-

gists generate a good deal of income from repeatedly prescrib-ing of such drugs – the longest prescription available in the US is for three months - may also have been a consideration, according to Mr Viren Mehtha, of New York-based analysts Mehtha and Isalay.

The immediate outlook for nonprescription Tagamet and Pepcid is not good. SmithKline Beecham needs to conduct additional clinical trials, while Merck must argue with the FDA about the validity of its efficacy data.

their hands of the medicines, saying that it was up to the FDA to make a final decision. Riskaverse FDA bureaucrats will have little incentive to make a rapid judgment, given the advi-sory panels' concerns. Glazo, which is working with

the joint-venture Warner-Wellcome to change the status of its top-selling ulcer-drug, another H2-entagonist, Zantac, will have watched last week's develop-

Nevertheless the rewards for the first H2-antagonist on to the US antacid OTC market are huge. dehtha and Isalay expect the first to be generating annual revenues of \$500m (£320m) within five years, the second \$200m and the third \$100m. The antacid market is worth only \$800m at the moment, according to Merck. Lex, Page 16

Astra operator Société Europeénne des Satellites, the Luxembourg company behind the Astra satellite television system, has been split by boardroom rivalries and an attempt to oust the director SES runs three 16-channel television satellites and has plans to Approval may take a long time. The advisory committees washed launch three more. It is also pro-posing to float on the London Stock Exchange, and other Euro-

pean exchanges, next year and could attract a value of £1bn. Mr Pierre Meyrat, the Swissborn director general, has run SES for the past nine years. An attempt was made to oust him last month by group of shareholders, including Luxembourg financial institutions which con trol 20 per cent of the equity and

30 per cent of the votes.

It is believed the two vicechairmen of SES, Mr Romain Bausch, chairman of the SNCI hank of Luxembourg, and Count Roland Kergorlay, w private investor, were involved.

The criticism against director general apparently he did not consult apparently enough among the 24-member

Mr Meyrat's supporters included Deutsche Telekom, which recently bought per the company. The government levels and it is believed Mr Helmut Kohl, the German Chancellor, became involved. Last week at an SES board meeting Dr Meyrat faced what amounted to a vots-of-conidence and received overwhelming support. Apart from III-li Telekom, his included Dresdner Bank, III-li sche Bank and Thames gion, in the Pearson media and entertainment group main also owns the Financial Times.

As part of a compromise, how-ever, SES will have to strengthen the operational directors. SES is also taking difficult decisions on the development of digital interiors. Its fourth in ellite, due to le limerael in mrometically will use analogue technology. The fifth and sixth are scheduled in be

devoted television. Negotiations are continuing with Mr Rupert Murdoch's News Corporation and Mr Leo Kirch, German television entrepreseur, on how many the Murdoch-Kirch consortium should we on the new satellites and on what

Group sales 1993: \$8.1bg. **Zantac** LIS sales Zentac US petent explry dates 1985 and 2002

Unilever fights soap war with environmental claims

By Daniel Green

Unilever, Man Anglo-Dutch consumer has opened new front in its battle over washing powders with US rival rear and limit by

I that Persil powder is environmentally friendlier than predecessors

ture the powder 30 per abandoning a proper of blowing hot air through a slurry spray in make a dry powder. The new method involves only dry ingredi-

The management was the powder's manganese-based catalyst allows consumers in warfi

clothes at a lower temperature. This could save about 5 per cent in electricity consumption, equivalent to 25p on a £5 box or about £3 1 year, said Mr Rudy Bircher, d of the detergents ment group at the company.

The also claims the catalyst enables less powder to be used: 30 washes need 2.35kg of Persil Persi compared with 2.8kg of AHH Ultra, in Mar-made rival.

THE RESERVE ASSESSMENT OF lows accusations from P&G that the catalyst, called Accelerator. damages clothes. The allegations were reiterated in media campaign by P&G over the weekend. Unilever, which be cut the amount of the catalyst in the formula, denied the suggestion that clothes had been damaged signifi-cantly. It added that wearing

clothes caused two thirds of fab ric damage, with a further 10-20 per cent caused by the mechani-cal action of washing machines. The Anglo-Dutch company is reluctant to attack its rivals'

products directly in public, even though it acknowledges that P&G has broken an unwritten code that prevents direct brand comparisons in UK advertising. It has prepared a list of claims to environmental superiority for

Lelan Lowel Incu cent improvement in blodegrada-bility and toxicity compared with other detergents.

conscious of their products' environmental impact recently. banned phosphates in washing powders of water pollu-

Suez reinsurance sale off as Scor cuts offer

Sper, the French financial and investment group, has broken of negotiations to sell its Abeille Réassurances for around FFr2.1bn (£250m) to Scor, France's largest reinsurer, because the latter wanted an

unacceptable price reduction. Suez said it would keep Abellle Réassurances which has premium income of around FFr4hn a year, though if "any other poten-

study their offer".

It noted that it was Scor who had initiated negotiations which had led the two companies to a preliminary agreement on June 15, by which Scor would pay FFrl.3bn in cash and cede 19 per ment for Abeille Réassurances. "In the end Scor insisted on a

which we found unacceptable," said

Suez's rupture with Scor does not affect Suez's agreement in principle to sell the Abeille life and non-life divisions of its Vic-toire subsidiary to Commercial Union of the UK for FFr12.5bn. They are aiming to close the sale by the end of September

It was Commercial Union's lack of interest in the Abeille ration of Victoire that attracted Scor, the largest French reinsurer with FF77.9bn of premium income.

Over the past three years, the Suez group has sold off some FFr35bn in assets, mainly parts of the Victoire insurance company to various buyers and also industrial holdings of Société Générale de Belgique.

This week: Company news

BRITISH PETROLEUM Crude oil price recovery should prevent slippage

half results from British Petroleum, due tomorrow, and expected show limit he means remains on immi improve profitability and reduce debt. Analysts expect that its cost-cutting

and restructuring which has been Him dominant feature of the company over ast year as so will continue to underpin earnings. Second quarter earnings at a replacement that basis are predicted to be in a range of Replacement profits we lie min quarter were \$305m.

BP should also benefit from the recovery in crude oil prices, which have low last February of around \$12 a barrel for Um benchmark than (£11.60p) a barrel. BP shares been immin in recent weeks by firming prices, as the company one highly leveraged among the oil majors to higher oil prices.

improved earnings from BP's chemical operations, as European in with indications of economic recovery. NatWest expects that

higher crude profits will boost upstream profits by more than m per cent compared with the first quarter. will be offset, however, by lower refining margins, which usually suffer when prices rise. Mr Simon Flowers, oil analyst at

NatWest Jacontees in Edinburgh, said the results may also be affected by the recent weakness of the US dollar. Half of BP's oil production is in Alaska, and it has a large IIII dollar 🔤 hase. analysts are generally

optimistic with the company's prospects. Mr Paul Spedding at London kleinwort Benson, which is forecasting second quarter earnings of 9265m, notes that BP has surprised the market with better-than expected results for the past three quarters.

OTHER COMPANIES Analysts banking on Abbey National surge

Abbey National, the home loans and banking group, announces interim results today. Analysts' in a management pre-tax profits from £400m-440m, well of the £301m announced last year. There is disagreement the interim dividend, with forecasts varying from 4.6p to 5.6p, against 4.15p.

■ National Westminster: the bank is expected to report first-half pre-tax profits of £600m-£727m. This compares with £421m for the same period last year. The lowest estimate for the interim dividend puts it at 6.4p per share - the same as last year. The the highest is for 7.5p.

■ T Cowie: An improved performance from the contract hire and coach pre-tax profits at the vehicle leasing and motor trading group by about 27 per cent tomorrow. The upturn to nearly \$20m is likely to be fuelled mainly by the finance division, dominated by Cowie Interleasing.

■ Wickes: The DIY and timber retailer is forecast on Wednesday to announce a doubling of interim profits from £4.1m to between £8m and £9m before tax. Wickes UK enjoyed ■ like-for-like increase, which includes new stores, of 11 per cent in the first quarter, thanks partly III its 1,000 price cuts launched in January, and Hunter timber is expected to with to profits. The problem area

Companies in this issue

Malden Timber, still expected to

■ Harrisons & Crosfield: Opinions are divided on the conglomerate which reports interims on Wednesday. The split follows the mixed trading statement in May, which stressed a continuing malaise in the pig industry but a good performance from UK timber. Forecasts range from £45m to £55m, against £48.4m last time.

 Zeneca: The bioscience group, reports half-year results on Thursday. Analysts expect pre-tax profits to be in the region of £430m compared with £367m. Attention will be concentrated on dividend policy. Most observers expect the dividend to remain unchanged, but will ask what sort of dividend cover the board wants before it will start to increase the pay-out. Otherwise key development include progress in the US of Zestril, the heart drug, and Nolvodex, a cancar

TI Group: The specialist engineering company is expected to report interim pre-tax profits of up to £70m, against 662.8m, on Thursday. The increase is likely to be dominated by Bundy, the automotive and refrigeration tubing business, which has benefited from buoyant demand among motor manufacturers in North America and the UK. Improving sales to the chemicals sector is also expected boost the performance of John Crane,

engineering seals manufacturer,

Minerale

19

19

17

19

17

17

17

which accounted for 46 per cent of

group profits in the full year.

rom Fideli Top performance ratings We believe that the UK and European stock-

after a period of volatility, are looking

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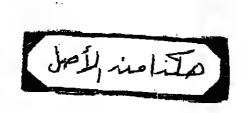
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COMPANIES AND FINANCE

Government plan to clamp down on insolvency practitioners

Move to ban more directors

The government is clamping down on insolvency practitioners who fail to provide information which would in the minutes of collapsed companies was disqualified.

The move is part if a of initiatives designed in the number of director disqualification orders sought through the courts.

The number of criminal prosecutions is also to be raised. The aim is to give a boost to The aim is to give a boost to the number M directors disdirectors criticised for poor

qualified during the current business conduct.

The provisional plan is to raise the total number of disqualifications sought during 1994-95 by about one third from the target of 500 for 1993-94. The follow publication last year of a highly critical report from the National

watchdog. ernment was failing to take adequate steps in disqualify

Action is now being taken by

the Insolvency Service, the Department of Trade and Industry which launches disqualification petitions. Officials at the Insolvency Service argue that many insolvency practitioners including some within the Audit Office, the Whitehall UK's large accountancy firms have been failing to provide. sufficient and timely information on the directors whose conduct they examine. They have launched discus-

sions with several firms and

plan to raise lack of compliance with the Joint Insolvency Monitoring Unit, the self-regu latory body set up under pressure from the Service.

The NAO report said that many insolvency practitioners were failing to submit detailed

As part of its afforts to increase the rate of disqualification, the Service is planning to issue a simplified version of the "D-form". This is the return required at the completion of insolvency cases conducted by practitioners.

Tentative signs of financial upturn for English football clubs

English football is showing tentative signs of a financial upturn with most clubs cutting their losses or moving into profit, according to accountants Touche Ro

The firm's annual survey of football chub accounts, published today, shows average operating profits in the Premier Learne more than doubled to £1.46m (£620,000) in the 1992-98 season.

Increased income from talevision contracts and commercial sponsors also helped reduce average losses per club in Division One from \$423,000 to \$332,000; while sides in Divisions Two and Three cut their losses from £380,000 in £47,000 and from Laure La Plate respectively. Although the represent an improvement the previous

hen Chris Sutton, Blackburn Royers' new signing, takes the field against South-

ampton on the first day of the

Premier League season, most fans will probably regard him

as one of the Lancashire side's

the San I

tants. Blackburn is common

among English football chubs

in excluding players' values

That policy is flawed, accord-

ing to accountants, Touche

Ross, and contributes to the losses which have raised seri-ous questions about the finan-

cial strength of the national

from the balance sheet.

prime

country's clubs continued to operate at a

Only 48 per cent of clubs were profitable at the operating level and losses at several exceeded their total turnover.

Senior football executives expressed concern that transfer fees - the main source of income for most clubs - had fallen back # 273m (£75m), while almost 2200m still needed to be spent improving the country's stadiums to comply with the Taylor Report recommendations on

Mr Roger Alwen, chairman of Charlton Athletic - which reported losses of £1.57m in 1992-93 compared with a £35,000 profit in the previous year - warned that declining transfer income and refurbishment costs could some of the

Soccer's old attitudes ruled offside

Tim Burt on why excluding players' values may be a commercial mistake

"I think there will be a fall-out of clubs in the next few years. Only around 50 clubs may survive on a full-time basis." His concern was echoed by Mr Colin Sandy, finance director at Tottenham Hot-spur, which is controlled by Mr Alan

insufficient gate receipts and no outside backing "would go to the wall". In the Premier League, several leading clubs incurred significant losses. Blackburn Rovers made pre-tax losses of £6.37m (£7.93m) and Chelsea and Wimbledon both

Sugar. Mr Sandy warned that clubs with

lost more than £1m. Touche Ross said the success of Man-chester United, which made pre-tax profits of \$4.2m (\$5.08m), demonstrated that clubs had to develop commercial activities off the field in order to survive.

to look at other matters".

Their attention may are on

thirds of clubs in

Premier League which

statements, but

avoided corporation

through was some forward

from previous years. Newcastle United, one of the

sides 🔚 include player

in the balance

says chubs must now face up to

the challenge if introducing The III changed

accounting with the it

rescued by Sir John Hall, the north east property entrepre-neur. Mr Freddie Fletcher,

mia executive, we it we

completely revamped after

accountants at Cameron Hall

Developments, Sir John's pri-

vate company, drew up a new

This club was in a mess,

The Football Association,

endorse common accounting

standards for all clubs. Mr

Mark Day, the FA's chief

accountant, says there is no

proof that one accounting system is better than another. "As

long as clubs are operating within accountancy rules, then

we wouldn't seek a set for-

Nevertheless, Mr Boon at

Touche Ross says clubs should

shrug off their old attitudes. If

they don't, he warns, they may not be able to afford new play-

ers or invest adequate sums in

financial strategy.

Grosvenor Inns up at £0.85m

By Graham Daller

Shares of Orest Inns rose 12p to 150p on Friday the expanding USM-quoted pub operator accompanied improved annual with an upbeat trading On turnover of £10.5m (£8.1m), including £1.43m from acquisitions, pre-tax profits for the year to May 31 increased to £854,000 (£764,000), struck after

£227,000 (£47,000) and £159,000

on September 1

Properties, Um

property developer and

almost lieuw by ill

opment in Hammersmith, will

lose its listing September I

in gaining an III -

Slough mention 32.3 per total

acceptances for in 10p a share

privatisation offer, adding 🕠

initial 👫 📻 🖼 🖼 🗀

the company.

BIDDER/INVESTOR

Sprint (US)/ Grupo Lusacei (M

Genooro (South Africa)

MAY LOUIS ELECTION

Bredero to

lose listing

Mr Tim Thwaites, chairman. that trading em "certainly much stronger than experienced a year ago, particularly in food" - the Slug & Lettuce pubs showed a 21 per cent rise in food sales. Most of the group's acquist-

tions, of 10 managed houses, four tenancies and a joint venture, came too late to contribute to the results. But "they are now fully on stream and

NEWS DIGEST

It is unclear whether British

Land has accepted the offer,

efter taking a 7 per cent stake

Savilia, the property surveyor and adviser, is buying Walker Walton Hanson, a Nottingham-

shire-based surveying, agency and auctions company, for at

An indian in the bean

tisfied by £75,000

The total consideration

depends on at

CROSS BORDER M&A DEALS

SECTOR

Savills expands in

Nottinghamshire

in Bredero in June.

lesst £1.8m.

1.5m shared

TARGET

Royal Dutch/She

Univision Television Group, Inc.

Solicitation of Consents

Regarding a Proposed Amendment the

Indenture with Respect the 11%% Senior Subordinated Notes due 2001

Univision Television Group, Inc. (the "Company") hereby solicits

("Conserns") upon the ____ and subject in the conditions

67th ____ this Consent Solicination Statement and in _____
accompanying Letter of _____ (the "Consent Letter"), as the ______

may be amended from time to time, from holders of the Company's II', in Senior Subordinated Notes due (the "Notes") an amendment (the "Amendment") to the indenture (the "Indenture") under which the Notes issued dated as of December 15th, 1992 by

and a Company, In Comment (as defined in the Indenture) and First Trust National Association, at trustee (the

"Trustee"). Upon the Amendment becoming effective, the Compan

revoked) Consent on or pract to the Expiration Date (as defined below) a one time cash payment equal to 0.25% of aggregate principal of the holder's Notes.

The primary purposes of the Amendment are (1) to facilitate the acquisition of relevision stations in the Chicago and Houston markets, and (ii) to eliminate the separate restrictions on the Company's, ontracted with the Univision Group's, ability to incur Indebtedne

make Restricted Payments. For a description of the Amendment plane refer to "Proposed Amendment" in this Consent Soliciratio

The effectiveness of the Amendment is subject to receipt by the Company, prior to the expansion of this solicitation, a Consents from holders of a least a majority of the aggregate principal amount of the Notes ourstanding. If the requisite Consents received, a Supplemental Indenture and defined to the Indenture effecting

Amendment will be entered into with the Trustee. As of July 8th, 1994, there was round and ourstanding \$102,300,000 in aggregate principal amount of the Notes. Therefore, the Consents of holders of at least

551,421,000 principal amount of the Notes (the "Requisite Consents")

TIME, ON JULY 29TH, THE TEXTIRATION DATE'S THE COMPANY, IN ITS SOLE DISCRETION.

THE COMPANY, IN ITS SOLE DISCRETION.

THE PERIOD DURING WHICH CONSENT LETTERS MAY DELIVERED, IN WHICH CASE EXPIRATION DATE WILL INTO THE TIME AND DATE AT WHICH THE SOLICITATION, WITTENDER BY THE COMPANY, WILL EXPIRE THE COMPANY WILL EXPIRE THE COMPANY BY THE DATE OF SUCH EXECUTION THE AMENDMENT (THE DATE OF SUCH EXECUTION THE DATE ON WHICH IT RECEIVES THE REQUISITE CONSENTS WHICH MAY THAN THE EXPIRATION DATE. CONSENT LETTERS MAY BE ANY TIME PRIOR TO THE EFFECTIVE DATE.

ANY TIME PRICE TO THE EFFECTIVE EAST.

NO. SASSAY (INCLUDING THE SOLICITATION AGENT)
REEN AUTHORIZED TO GIVE ANY BIRDRMATION OR TO MAKE
ANY REPRESENTATION NOT CONTAINED IN THIS CONSENT
SOLICITATION STATEMENT, AND ANY SUCH INFORMATION
OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING
BEEN AUTHORIZED BY THE COMPANY.

The Care prints Corsern Solicination Statement # July 12th, 1994.

As Truste

For a Trust National Association

St. Paul Minnesota 59101, USA.

ISC East Fifth Street Attention Corporate Trust

will be required an order for the Amendment to be arrowed.

compensation 📰 two former will make a positive impact on current year trading". Grosvenor had 40 outlets at the year end, including 11 free holds. Mr Thwaltes said the proceeds from February's gave lb group la resources to purchase "further individual outlets or small

> 32 per cent to 23 per cent. The final dividend is lifted to 2.5p, making 4.75p (4.25p), payable from unchanged carnings of 7.4p per share.

completion but will not be

Leeds and Holbeck

Leeds will Holbeck Building

17th larges

society, is to acquire the £110m

residential mortgage portfolio of Refuge Assurance.

The deal, representing 5,000 mortgages, is part of the society's strategy of profitably growing its market share.

The mortgages will be dministered by the Leeds and

COMMENT

Long dietance

Holbeck Mortgage Funding

aubsidiary.

VALUE

acquires portfolio

more than £1.9m.

groups". Gearing dropped from

decision likely tomorrow

EMAP bid

By Christopher Price

EMAP, the media group, should learn tomorrow if its hid for Trans World Communications (TWC) can proceed in a High Court judicial review with wide-reaching ramifications

for the radio industry. EMAP, which already own three radio licences, is planning to skirt around the present regulations forbidding ownership of more than six licences, by putting two of TWC's five licences into joint ownership with Schroders, Rmap's merchant bank.

Industry analysts believe

that if the court upholds the Radio Authority's decision, it will prompt a number of

rationalisation process already

It could also herald similar

sector, whose rules governing ownership of broadcasting

The radio regulations are also being tested by Daily Mail

recently set up a joint venture

its stake in Chiltern radio, As

a newspaper owner, it cannot

hold more than a direct 20 per

group. Daily Mail and its joint

hold 29.99 per cent of Chiltern.

The government is currently

s-media ownership review,

venture company currently

ownership rules under its

with the licence owning arrangement widely seen as

company in order to increase

moves within the television

licences also originate from

and General Trust which

cent stake in a broadca

examining the radio

ripe for abolition.

the 1990 act.

similar moves within the

sector and accelerate the

Guardian Media Group, which holds a 20 per cent By dealing with transfer fees through the profit and loss account, Touche Ross believes. stake in TWC, is seeking to prove that the Radio Authority has exceeded its clubs such as Blackburn are powers under the 1990 failing to show substantial Broadcasting Act in approving agest values in their balance KMAP's plan.

"Soccer's 'hidden assets' may put a club at a commercial disedvantage when trying to raise finance or convey a message to investors or financial analysts," says Mr Gerry Boon, coauthor of Touche Ross's annual survey of football club accounts.

The survey, published today, warns that by not declaring player values in the balance sheet, clubs fail to show an objective return on assets and capital employed; expose themselves to large and unpredictable swings in profits; and can-not give a realistic picture of their "worth as a company"

been high. It spent £13.1m on new permit in the 1-92 and the 1992-93 seasons, resultin in pre-tax losses of 27.92m and 26.34m respectively.

The cost to Blackburn has

its spending spree helped lift the estimated value of the Premier League's players to Fortunately for the club,

can rely on the deep pockets of Mr Jack Walker, the businessman who sold his steel stockliability to corporation tax

Survey of Football Club accounts

and the second second second

Steel for £830m and has since acted as Blackburn's benefactor. Most clubs do not have such backers. So why do they not

mendations? The enswer may be simple: tax. By hullding up accumulated losses, clubs can reduce their

B

ABN AMPO Bank N.V. Agent Bank

TO THE HOLDERS OF

NLG - COLOR

7 % per tant. Commend

made by Forte Primer N.V.

The undersigned herewith

Accounts 1993 d Futs

N.V. as when the Report of Pm Human Int

are available 🔳 below

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APPOINTMENTS

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Priday ... For further informs

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July 1994

AMSTERDAMSCH

embrace Touchs Ross's recom-

holding business to British should they have a windfall on

attract the attention of the Inland Revenue, according to Mr Colin Sandy, finance director at Tottenham Hotspur. He believes that the Reve-

"In order to secure the finance for such developments, oup run. But such practices may soon

selves to banks, shareholders and investors as well-manager businesses," he says. "The financial manager is very much part of the squad."
The Touche Ross Survey of Football Club Accounts, EEO, PO nue's Special Compliance Box 500, Abbey House, 74 Mos-Office, which is currently examining payments in playley Street, Manchester M60 2AT.

Coles Myer (Australia)/ Rank Commercial Castle Communications (UK) Records & tapes £24.5m Agreed cash bid Petersburg Long Dietance Stake raised to 33,2% Unit of BM Group (UK) Construction £14.5m BM continues cesh Petroleum GEO-Services Deferred pay-ment element Unit of Simon Engineering £8.25m Industria machiner ජාග Inchoage (UK)/ **Drinks** n/a franchise link Coca Cols (US)

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Sth August, 1994.

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> Bescon Investment Trust pic London III 6HB

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Copies of the Listing Particulars are also available during normal business hours for collection only from the Company
Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court extrance, off
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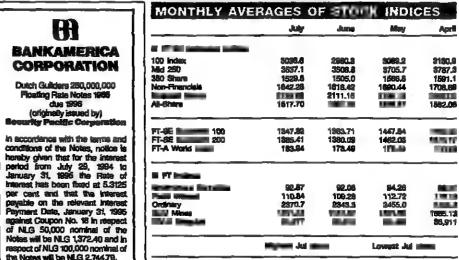
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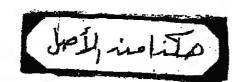
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MUNTER

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COMPANIES AND FINANCE

Third group enters bid talks with Lac Minerals

Two mid-sized Canadian gold producers have expressed an interest in jointly acquiring and then splitting up Lac Minerals, the gold and base-metals group which is the target of two competing takeover bids worth more than C\$2bn (\$1.40bn).

TVX Gold and Kinross Gold, both based in Toronto, have yet to make a formal offer for Lac. Their overtures have so far been rejected by Lac's man-

TVX and Kinross said their talks with Lac involved an offer of about C\$15 per Lac share, or a total of C\$2.2bn. This is slightly higher than bids on the table from American Barrick and Royal Oak Mines of Vancouver. Under the proposal, Kinross

Motor Industry Correspondent

lveco, the commercial vehicles

subsidiary of Fiat of Italy,

expects to break even in 1994 following the heaviest loss in

The group, the second larg-

est truck maker in Europe,

plunged to a group net loss of

Fi mate 4m (Market Market Aces) from | loss of Fl 258.2m a year

Iveco has suffered losses for

the past three years in succession totalling FI LISOn in the

face of the prolonged recession

in the west European truck

fallen for four consecutive

years from a peak in 1969, but

there are growing along that

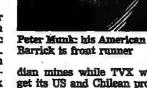
the market is emerging from recession this year with sales

Truck sales in Europe have

its history last year.

earlier.

By Kevin Done



get its US and Chilean proper-

TVX, which was until recently controlled by Inco. the

Iveco sees break-even in 1994

rising in some large markets such as the UK and France.

Iveco said its sales volume

rose by 25 per cent in the first

quarter this year to 24,552

units from 19,594 in the corresponding period a year ago.

mercial vehicle sales fell by

est level for nine years, from

115,438 a year earlier and a peak of 136,088 in 1989. Group

turnover fell by 25.6 per cent to

ture and Iveco's total active

workforce has been reduced by a third to 30,000 from 45,000

between 1989 and 1998. The

number of white collar and

managerial staff has been been

reduced by 87 per cent in the

same period to 10,000 from

Successive beavy losses have forced the company to restruc-

F1 8.4bm.

21.3 per cent to 90,830, the low-

Last year, the group's com-

producer, operates a number of gold mines in Latin America.

Kinross is a relatively new company which has grown through a leader of and acquisitions involving mines in North America and

Lac has so far said that its first choice is to remain inde-pendent. But with its shares widely dispersed, this outcome becomes less likely as the list of bidders grows.

For the time being, American Barrick, the gold producer controlled by Canadian entre-preneur Mr Peter Munk remains the investment community's front runner. More bidders could emerge over the

next few weeks. Royal Oak, headed by Ms Peggy Witte, president, is about one-third the size of Lac

Restructuring for redundancy and retraining

have willed Fl 560m

Iveco said the era of extraor

dinary costs was over but it could "not allow the financial

situation to weaken any fur-

It claimed it had achieved "a

quantum leap" in the effi-ciency and productivity of its

manufacturing operations. The group had cut its break-even

sales point to 116,000 last year

from 131,000 in 1991, and this

was forecast to fall this year to

Iveco spent heavily in the

early 1990s renewing its prod-uct range and modernising its

plants, but in monage

claimed "the man M big

spending designed to develop

and to protect the business are

101,000, the lowest ever.

Mobil slips into deficit after \$680m charge

Mobil, the US oil group, plans to take a \$680m charge against first-quarter earnings to reflect an inventory account ing change, Reuter reports from Fairfax, Virginia.

The change was in the method of applying the lower of cost or market test for crude oil and product inventories, the company said. It will push Mobel into the red for

Mobil said the restatement would result in a loss of \$145m for the first quarter, against a previously reported profit of \$535m. For the first six months net profit would be \$53m, or 60 cents a share,

against \$733m, or \$1.77. Mobil uses last-in, first-out costing to account for the book value of inventories. In prior years, book value was com pared with current market prices on a worldwide basis when determining the value to

Bridgestone has strong first half

By Gordon Cremb in Tokyo

Bridgestone, which makes half the tyres sold in Japan and has been hit by the downturn in the country's vehicle mar-ket, yesterday produced its first interim profits increase since 1990 after a cost-cutting

Although parent company ales fell a further 5.3 per cen to Y288bn (\$2.8bn), pre-tax profits were up 22.9 per cent at Y16.91hn for the six months to June.

The commany expects fullyear profits to rise up 26.5 per cent before tax to Y45bn improved from an earlier fore-

BASF postpones investment in Italy

BASF, the German chemicals group, has postponed invest-ment in Italy because of the government-inspired price cuts and healthcare reforms.

The move follows the decision last month by Menarini, Italy's largest domestic drugs company, to transfer all production out of Italy because of the government's aggressive attitude to the pharmaceuticals

industry.
Mr Giovanni Pinamonti, BASF's Italian managing director, explained to the Financial Times newsletter, Pharmaceutical Business News: "There is

no [state] industrial strategy [in Italy] for the development of the pharmaceutical indus-

BASF has decided for the moment not to carry on with plans to concentrate worldwide gastrointestinal research in Milan, nor increase its Italian manufacturing capacity, said Mr Pinamonti.

European drugs companies are bracing themselves for another blow to the troubled Italian drugs market. Lan week the Italian cabinet agreed I II per cent price cut for next year, although the decision has yet to be approved by ParliaMr Raffaele Costa, health minister, said: "If it was up to me I would cut prices even fur-

Ciba, the Swiss group, has admitted it lost L41.7bn (\$26m) last year in Italy, partly because of the devaluation of the lira, partly because of investment, and partly because

of healthcare reform. Among the domestic groups, **Brokers James Capel estimate** Menarini and Sigma Tau would be hit hardest by any additional price cut. Respectively, about 37 per cent and 41 per cent of their sales are in Italy. Among the multinational groups Ares-Serono of Switzerish group, would 🖿 most affected.

Healthcare reforms introduced in January have had a large effect on the Italian sec-

Growth in all leading European drugs markets has slowed so far this year, but the Italian market has been the worst hit

Year-on-year sales during the first five months have fallen 7 per cent to \$3.08bn from \$3.59bn. That compares with \$4.7bn for the same period in 1992, according to IMS International, the specialist market

in Europe.

Studies suggest demand for non-polluting vans

Mercedes plans development centre for emission-free trucks

By Christopher Perkes in Frankfurt

Mercedes-Benz is to set up a development for emission-free commercial vehicles at its Mannheim plant next year. Studies suggested that west European demand for non-polluting vans and other vehicles would be strong enough to justify industrial scale production by the end of the century, the company said yesterday.

Its new urban distribution vehicles, the T1N and TO, were suitable for a direct entry into this new market, it said. They could first be fitted with electric motors and with other emission-free motors when the technology had been perfected. The announcement followed

confirmation last week that Mercedes is to take over the bus-making activities of the private Kässbohrer group on undisclosed terms.

The centre would ensure the future of the Mannheim plant,

negotiations with employees concerned that the Imi would lead in heavy ju losses. No details Spain and Austria. payroll but restructuring

loss-making bus operations le certain lu luie the takeover. The company recently amounced plans to spin off in bus industry. Sales in Germany are expected to fall 10 per cent to European in divisions com January Phi separate

company including German operations, currently Manual Manuheim, and separate company in Turkey. Rankaheers Satterett in Ulm, Wie Ulm and Ligny. France, will be rolled into the new operation, provisionally

named Eurobus. Minnester said it expected a marked reduction in development and testing costs, Minimumber from the tree of higher volumes II common components and increased

Analysts said the deal would

improve Mercedes' presence in the touring bus market -Kāssbohrer's main business and markets such as Denmark,

While the takeover settles a long turbulent debate over the future of Kässbohrer, it marks a decisive step in the overdue restructuring of the German

15 per cent this year, while the total west European market has been stagnant with about 20,000 new registrations annually for the past 10 years.
According to Mercedes, its Mannheim works made 3,200 complete buses and 560 chassis last year, turning over DM2bn (\$1.25bn) with a workforce of

5,400 people. In the Turkish operation, where 2,000 employees built 1,200 units, sales reached DM350m. The Kässbohrer factories turned out 2,300 buses with sales of more than Polish banks fight foreign banking threat

By Christopher Bobinski in Warsaw

Three lime banks in agreed to the together in a "banking group" in a first step towards consolida-tion of the country's fragmented banking MIII.

According II Mr Wojciech
Kostrzewa, head of the state-

owned Polish Development Bank (PBR), and of the three, the outcome of the agreement would be "somewhere between a holding company and a merger'

The other two banks are Bank Przemyslowo Handlowy of Crakow, which is shortly to be privatised, and the already listed Wielkopolski Bank Kredytowy (WBK).

WBK was sold by the state last year, with the European Bank for Reconstruction and Development taking a 28.5 per cent stake.

The banks said they were prompted by the potential challenge from foreign banks expected once Poland's financial markets are fully opened to competition.

End of Month S.G. Warburg Warrant Valuations

as at 29th July, 1994

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July 1994

Global Investor / Richard Waters in New York

Japan attracts the dollars



Securities Industry Association put purchases of Japanese shares by American investors at a net \$9.5bn in the first three months of this year nearly double mi last quarterly record, struck in the opening period of

Remember the end of the 1980s, when foreigners stayed away in droves and missed out on the last 📷 of the great Japanese bull market? (It's not much consolation to say that the warnings of an to be right in the end.) And then there was 1991, when outsiders tried (unsuccessfully) to call the bottom for the

This time around, dollarbased investors have been rewarded with some instant paper gains. Thanks to the US currency's slide, the Japanese market showed returns of 17 per cent in the first quarter in dollar terms, and about 6 per cent in the second (having recorded a 34 per cent gain

There is an irony - as well as a warning - in this. Part of the reason for the dollar's been the country's huge capital outflows. Last year, a \$40bn outflow combined with a \$110bm current account deficit to leave the dollar severely

portfolio investment in Japan has helped explain the dollar's noteworthy that Japanese investors actually sold \$3.5bn of US securities in the first quarter, the first time for three years that they had been net sellers - and this despite the fact that the yield gap between long-dated US and Japanese bonds widened during the

100 yen could herald a seage. The fundamentals of the Japanese market may still

during 1993 at a time when US stocks were up only 7 per

Japanese industry has yet to produce the rebound its fans have been predicting. The currency gains which have bailed out US investors this far seem unlikely to con-

Slowing capital flows from the US could, in their turn,

dollar, further reducing portfolio investment from the US.

The latest stirrings of a trade war with Japan could help the cause by keeping the dollar under pressure. But sooner or later, those pension fund managers in the mid West will have to stop speculating on currencies and start earning

Richard Moone

returns from their investments

It is now precisely a year since the gold market (with a little help from Mr George Soros) worked itself into a over another bout of inflation. The price of

the proposition that socialism would lead to the withering

away of the state. So indeed it

has, not by its success, but by

The collapse of the state is a

strong argument for what is called "shock therapy", but might be better labelled "big-

bang" reform. In an illumina

ting recent paper, Jeffrey Sachs of Harvard University,

this approach by pointing to the three intervelated economic crises that

confront post-communist countries: state bankruptcy,

systemic collapse and structural transformation.* The

first shows itself in default

and inflation, the second in

the disintegration of state ecothe shrinkage of the hypertro-

phied heavy-industrial sector.

"The aim of shock therapy,"

argues Prof Sachs, "is to

address these three some via the introduction of the

core institutions of capital-ism." These are private prop-erty; a stable, convertible cur-rency; freedom for trade and international investment; cor-

porate control of enter-prises; and a safety net. In a paper written jointly with Alam Gelb of the World Bank, Lessek Balcarowicz, architect of the Polish

architect of the Polish reforms, argues that the nec-essary policies embrace stabi-lisation, liberalisation and institutional restructuring.** It is the first two that can be done quickly and need also to

be done together, because they are complementary. Without price liberalisation,

the need to go on subsidising undermines stabilisation. Sim-

ilarly, only after stabilisation

will people be subject to hard budget constraints and have

to respond to market signals. A fundamental reason for

speed is that the initial condi-tions are simply unsustains-

secular religion of the 20th century

Europe's currency system threatened to fall apart.
The gold bulls had their day, only to see the market sink

back towards \$340 an ounce by the end of the summer as the crisis passed. But the accelerat-

the metal jumped to over \$400

an ounce in the opening days

August a year ago as

community - something which, before last year, had not been seen for a decade have had their effect since

Despite a bout of US interest rate rises, and a widespread view that the dollar will (finally) rebound, the gold price stands at nearly \$390 an ounce, close to the top of the range in which it has traded for most of this year.

If the Federal Reserve's policy-making committee opts not to raise interest rates again at its meeting on August 16 (and the bond market clearly feels confident, given the two-point jump in long-dated US bonds on Friday), then the gold price seems likely at least to hold its

Mr Wayne Angell, the hawkish former governor of the Federal Reserve, is one of those who claims a close correlation between the precious metal and future inflation; to be precise, 83 per cent of the changes in the US inflation rate are

foreshadowed by a move in the gold price, he says (the view is not shared by many gold market analysts, who these days tend increasingly to view the metal as just another commodity, rather than the be all and end all of monetary policy).

According to Mr Angell, the current gold price points to US inflation next year of 3.5 per cent or more. For a stable price environment, the Federal Reserve would have to target a price of \$220 an ounce, he adds.

Barometer

The Fed chairman himself pinpointed gold earlier this year as one of the inflation mic carefully. But in his most recent testimony to Con-Greenspan showed little inter-

est in the commodity.

There are some big swing factors in the supply/demand. equation which makes up the gold price: whether any central banks decide to liquidate part of its holdings to meet a pass ing IIIII manufactor for instance. But leaving these aside, the market seems likely to keep bouncing against the \$390 ceiling. Whether it can find a new excuse to leap back past \$400 is quite another mat-ter.

COMMODITIES

Testing time for coffee and metals

enter this week with some serious question marks hanging

All In pend fireworks, back and traders will be looking for signs of consolidation to stave off a feared major sell-off by the US investment funds whose buying was so influential in the gains of the past month = so.

At the London Metal Exchange meanwhile, the copper and aluminium markets will be watched with interest, not to say anxiety, following

recent retreats from long-time

Now that the Brazilian industry and commerce minis-try has issued its assessment of the damage done to the country's coffee crop by the frosts of June 27 and July 11, and with fears of further frosts in growing areas receding, the coffee market has to prove that it can thrive in the atmosphere above

So far the retreat from last month's \$4,000-plus highs has not threated to carry the Lon-

the \$3,076 a torne ruling immediately before the second frost
- last week's low was \$3,262.
But with the Brazilian coffee frost season now entering its final month, speculators, while remaining formula go "short" in this market, could be looking for opportunities to

The LME copper and alumin ium markets are in a compara-Copper last week continued

its retreat from the previous week's two-year highs, while

through support at \$1,500 a toune for three months delivery, dipped below \$1,450 at one

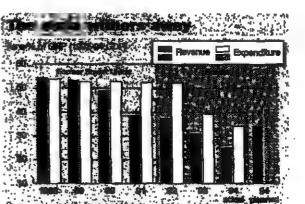
Both markets steadied towards the end of the week, however, and they remain within reach of the highs.

Analysts are for the most

part cautiously bullish about price prospects for these als once the _____ consol-Hill phase to completed. But, as in the coffee market, the potential weight of invest-ment fund selling is seen as a serious threat in the short

Economic Eye / Martin Wolf the predictions Marxism the

Why shock therapy?



ble. Almost always among those conditions is a collapsed state. Just as in the world of physics every action creates an equal and opposite reac-tion, so in the world of politics communist tyranny leads to americy. Its downfall creates something akin to Thomas Hobbee' state of pattre in Hobbes' state of nature, in

which life is "poor, nasty, brutish, and short". The fiscal aspects of Moscow's rake's progress are shown in the chart. Prof Sachs, in another paper, points to five that of this vicious downward spiral: people refusing to pay taxes because nobody else does; regions failing to transfer revenue to the centre because the government loses the shility to punish them; cancerous criminality, because the probability of capture declines as the number of criminals rises; default, as foreign creditors hecause none of the others do; and flight from money, as people refuse to hold the cur-

What is important about these five cases is that they all involve contagion. What is needed then is to deliver a big jolt to self-justifying pessi-mism. The jolt is provided by a package which includes exchange-rate stabilisation and non-inflationary foreign finance of essential budgetary expenditures. With exchange-rate stability and high domes-tic interest

flight back to the currency. Similarly, with inflation down and the state financed, structural reform can proceed and legal private business expand. Every successful stabilisetion of a collapsed, hyperinfa-tionary economy was pre-ceded by rampant pessimism and followed by an equally unjustifed belief that the spe-cial characteristics of the countries concerned made suc-cess inevitable. Five years ago many argued that shock stabino lessons for the very different problems of post-communist countries. Many also rency, because nobody alse is willing to do so.*** feared that the Poles

sibility. But the evidence is now in. We know from experience that big-bang reform is costless, when comparison is made, not with some utoplan ideal, but with the available alternatives, which are either to do nothing or to have higgledy-piggledy reform. What does it mean to say it is costless? It means that the

These positions, though

wrong, did hold a certain plan-

decline in measured output (which grossly exaggerates the true decline in output, let alone in welfare) has actually been smaller in countries that have reformed quickly than in those that have not. Between 1989 and 1993, the cumulative decline in Poland's gross demestic product was 12 per Hungary the cumulative decline has been 16 per cent. In Bulgaria and Romania i has been 26 and 29 per cent respectively. But in utterly unreformed Ukraine, GDP and 1993 alone.

Expectations can be turned around and reforms fully started even amidst the ruins left by communism. The only questions are why so many continue to deny this and also why western govern-ments and institutions have failed to provide Russia in par ticular, much the most signifi cant single case, with the forms and levels of needed to make shock work there too.

*Jeffrey D Suchs, "Under ing Shock Incress for a seminar on Societies in 'Shock Therapy'", paper a seminar on "Posttist Societies in Trunsi Foundation, June 30 1994. **Leszek Balcerowicz and Alan Gelb, "Macropolicies in Transition to a Market Eco Three-Year Perspective," paper for the World Bank annual nomics, April 28-29 1994.
***Jeffrey D Sachs, "Russia's
Struggle with Stabilisation: Conceptual Issues and Evidence," paper for the World Bank annual conference on

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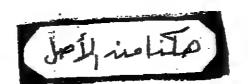
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June 1994

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EMERGING MARKETS: This Week

The Emerging Investor / Kerin Hope

No island trips for Greece's bankers

As trading volume on the ered encouraged companies in Athens bourse wilts in the summer heat, Greek brokers are taking off for long ends on the islands.

Those left behind we the investment bankers, charged with bringing another 40 Greek companies to the market by the end of the year.

The flow of equity issues this year has already expectations. Since January, scarcely a week has gone by without a new public offering. or a capital increase by a company already listed.

The drachma crisis in May which sent interest nie in government paper soaring to zero coupon bond - failed to curb investors' enthusiasm for

Greece saw new issues worth Dr47bn (\$195m) in the first half of the year, another Dr117on in fresh capital was raised by lates companies. Most of the 21 newcomers have outperformed the market; several are currently trading at more than 20 per cent above

asue The march to market was led by companies, looking for funds to their bids for hamiling offered under European Union's new Reu16.8bn (£13.2bn) aid pack-Greece for infrastructure projects.

The ease with which - con-

other sectors to follow suit. Textile manufacturers and software companies, medical

equipment and cosmetics producers are www ill the new moranta One fishery has joined and least and lea is on the waiting-list, reflecting limina position Europe's largest producer farm-fattened bream and

In July, Teletypos - • I newspaper publishers, which ontrols Greece's most successful private television channel -Dr7bn, making it the first Greek media group to be listed. Issues in the pipeline include Achala Clauss Wines and Intrasoft, the software subcoms equipment manufacturer.

Mr Panagis Vourloumis. managing director of Alpha Finance, the investment banking arm of Alpha Credit Bank, says: "The motivation is clear, hibitively high la la land future, so solution public."

companies lime lu grow to international size that promise companies which joined the Albert bourse during its last period of expansion in 1990-91 are now the country's blue chips and after by institu-

companies un now raidens' offerings were one main ethicide transmit on the

Ten best performing stocks Work on work charge Philippines Philippines Mary 0.0252 Guoco Holdings Phillipine Philipine National Bank 9.400 0.5447 14.50 13.52 0.0027 Benco Do Bessil (Pid) 0.9108 1.0 0.4269 0.0472 12.44 10.100 Ayala Land (B) 0.0007 10.70 Banco Brac Buenaventura (C) 0.3387

bourse to fund their ambitions Mechaniki, the struction company linked with Fide of Italy, carried a Dr9bn capital increase early this year. Delta Dairy, the food Dr18bn fund an aggressive expansion drive into the Balkans. About half the issue was covered by BSN, the French food manufac

tor, which traditionally ided if scruting required for . market listing, is starting to make its appearance. Strintzis Lines, a coastal ferry operator which was floated in May, is one of the most active stocks, currently trading at 17 per cent

Though the capital markets committee, the watchdog for the bourse, set stringent conditions for Strinizis' entry, other shipping companies were not discouraged. Another passenthe most part modestly priced. Investors' confidence will be seriously tested towards the end of the year. Then, the socialist government, now converted to partial privatisation of large state enterprises, plans to float minority stakes in both OTE, the Greek telecoms monopoly, and DEP, the holding company for state-o refineries and petrol stations. The government's

tranche in OTE, no more than Driccon, will be sold to domes The n the Dr250hm offering is to be blaced with institutional

question mark hangs we the limin al Greece's mutual funds, hard hit by the government's decision in April to tax interest earned on their holdings of Treasury bills at 15 per cent. Government paper remains tax-free to other investors. After two years of explosive growth, the funds are now stagnating, though there is no sign of a flight by investors: total assets remain steady at

around Dri 500hn. Mr Spyros Kriticopoulos, ent director at Alico Eurobank, which manages a group of mutual funds, said: "It's a wait-and-see situation because the finance ministry still ham't informed us how if proposes to implement this new tax. But we're worried."

■ Fund Launches

Two new emerging market funds have been announced in the past few days.

Credit Lyonnais Securities is planning to launch a \$50m fund to invest in the Indian communications industries. It will be managed by Schroder Investment Management and will invest mainly in Indian securities through a domestic fund to be administered by indbank Merchant Banking

Services. The other fund is to be launched by Fleming Investment Management to invest in newly privatised Russian companies. It also has a \$50m target and will be idvised by Brunswick

Poland

The government has decided to allow foreign investors to buy shares in all publicly traded permits from any governm

The new regulations will come into force within 10 to 14

days. Under the pres regulations, dating from 1991, foreigners wishing to invest in Polish publicly traded considered strategic had to get special permits from the ncivatisation ministry.

Vietnam

Warld (286)

aru(16)

Portugal (16)

Indonesia (22)

Korea (23) Mainysia (23) Pakistan (10)

malland (24

Letin America Argentina (20) Brazil (22) Chile (12)

Vietnam hopes to grant US, European and Asian banks year, a senior State Bank official is reported as saying. Vietnam is keen to attract

more US investment and develop trade. Bankers in Hanol and Ho Chi Minh City expected US banks. Bank of

News round-up

America and Citibank together with Deutsche Bar Hong Kong and Shanghai Bank and ING of the Netherlands as leading candidates.

Jordan Barings has come out with a

positive report on the financial markets in Amman, saving that they will benefit from peace with Israel.

Baring also says that Amman shares are currently trading around 17 times 1994 earnings, and at about 13 times if 'distorting factors' are

Further liberalisation of the financial infrastructure is lanned and Jordan's encouraging foreign investment, they add. Baring's analysts are looking for Jordan's economy to grow by 6 per cent in 1994 and by 7 per

cent in 1995.

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Baring Securities emerging markets indices

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48 Inclose in & series, Jersey 7th 1988–188. Bourds: Baring Bot

Moldova The Moldovan government - formally launched its privatisation programme last

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week, announcing a nationwide auction to sell shares in 11 state companies for vouchers distributed last

Forty-seven comp centres throughout Moldova opened to ease the process of obtaining shares in state companies liable be privatised. According to the government programme, about 1,600 state npanies, or 34 per cent of all state property in Moldova, should be privatised for

vouchers by September 1995.

distributed to 90 per cent of

Vouchers have already been

Moldovan citizens. **■** Hungary

The country's shares-for-compensation coupon programme should be completed by the end of 1995, last week. So far, compensation coupons with a nominal value of over Ft108bn have been issued to more than

1m people. Of that number, less than Ft40bn has been swapped for shares, according to the Compensation Office.

Emerging markets coverage appears daily on the World
 Stock Markets page

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CURREMOTES Philip Gawith Status quo could undermine sterling

The murky events of last Friday in UK money markets have brought sterling to centre stage on the foreign exchanges as markets wait to see whether

UK interest rates are raised. The pound rose sharply last Friday on expectations of a monetary tightening and is vulnerable to a setback, amid thin August trade. If the Bank of England leaves rates

The mood in the markets at the end of last week was that the Rank's management of monetary policy would come under criticism if policy was left on hold following confusing

Bejraman Batreata Barglade Bertrador Bejram Bertra Bruten Bruten Botaven Brasel Bruten Branel Branel

FT GUIDE TO WE - I CURRENCIES

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When the credibility of the Bank's management of monetary policy was last an issue after the much criticised cut in base rates last February - the pound we heavily as a

Informing the discussion on UK interest rates will be the Bank of England's inflation report which is released tomorrow. Other UK figures coming out this week include M0 today and industrial production mi

Elsewhere, Markey will events likely in determine the interior of the III THE RESERVE OF last night's deadline in the US that no sanctions will be

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-Japan trade procurement talks, and Friday's payroll

Nothing changes immedi-stely if, as expected, the trade talks fail to make the necessary progress. A 60-day period time the US can decide whether or not to implement sanctions.

With erstwhile dollar bears, such as Mr Fred Bergsten, the influential Washington economist, now beginning to change their tune, the impact is likely to be more subdued than when the Washington trade talks collapsed in February. Mr Bergsten has suggested

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Prince
Pr

Japan is now

10 inches further away.

We've increased our Executive Class seat pitch to 50 inches on flights* from

London and Paris to Japan. For further details call your nearest JAL office

Abbreviations: (a) From rate: (b) Sentences rate; (c) Controlled rate; (d) Controlled rate; (d) Entertial Mile; (d) Experts; (d) Header rate; (d) Controlled rate; (d) Controlled rate; (d) From rate (d) From rate; (d) Controlled rate; (d) Co

September and the yen will lose some of its streng In terms of domestic monetary policy, three events this week will shed light on the state of the economy: the purchasing managers index, released today, the release on

applied against Japan until

ger operator, DANE, has been restructured in order to com-

ply with the regulations for

The spate of new inch

together with a surge of invest-

ment from overseas, triggered

record first-half trading vol-

umes. Daily turnover averaged

Dr6.5hn, against Dr2.5hn last year. Market capitalisation

totalled Dr2.9bn at the end of June, equivalent to almost 13 per cent of Greece's gross

However, as the index declined from its January high

of 1.194 to 845 at the end of last

week, volume slipped back to around Dr2.3bm daily. Analysis

said the market was slowing

down for the August holiday

season and was unlikely to

revive until the next wave of

Demand is not expected to

The Athens market is valued

at 14 .times prospective carn-

flotations, due in September.

shrink, as Greece is still ch

ing listings.

mestic product.

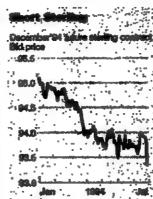
day's payroll release. In Europe the Bundesbank's summer receas will ensure that market focus remains on Italy. [1,110 against the D-Mark.

Wednesday of the Tan book for

the August FOMC, and Fri-

The currency recovered last week after slipping below The key event will be the

credibility of prime minister Mr Slivio Berlusconi's appear-



ance before the Lower Honer

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A WORLD OF COMFORT

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Correction Notice due



European Investment

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per annum from 29 July 1994 to 30 January 1995. Interest o 30 January 1995. Interest cayable on 30 January 1995 off amount to 11 US\$5,000 note and US\$2,569.44 per US\$100,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

Ø

Espírito Santo Financial Holding S.A. SOCIÉTÉ ANONYMIE

L-2240 LUXEMBOURG

NOTICE TO THE SHAREHOLDERS Following a resolution taken on July 15, 1994 by Board of Directors, the Company has increased on July 25, 1994 its capital from USD 110,839,770 to USD 221,879,540 by incorporating most of the free capital reserve, and, has decided to grant to the one new ordinary for the ordinary held on August 1, 1994, by way of a bonus issue.

of bearer shares are kindly requested to deposit their S.A. Luxembourgeoise, 43, Royal, (Artn.: Regularisabons) from August 3, In order to Index

The sheres will be listed ex bonus rights from August 3, 1994 on urg Stock Exchange of the London Stock Exchange. The American Depositary Shares will be listed ex bonus rights on the same day on the New York Stock Exchange. The new shares will be listed from August 3, 1994 on the Luxembourg Stock Exchange and on the London Stock Exchange. The additional American Depositary Shares will be listed on the same day on the New York Stock Exchange. Legal Notice will be deposited with the Greffe du Tribunal
 d'Arrondissement de
 à Luxembourg prior to the listing of the



BCU 450,000,000

ing Rate Notes due 2002 In accordance with the provisions of the Notes, notice is hereby given that the Rato of Interest for the three mouth period ending 31st Contes, 1994 has been fixed at 5.37109% per annum. The accruing for such the mouth period will be ECU 70.12 per ECU 5.11 ECU 100 Bearer Note, on 31st October, against presentation of Coupon 10.

Union Bank of Switzerland London Branch Agent Bank 27th July, 1994

Yen 20,000,000,000

For the interest period from to August 1, 1994 to January 31, 1995 the Notes will carry an interest rate of 3.9% p.a. The coupon amount pertaining to each Note of Yen 100,000,000 for this period will be Yen 1,955,342 and

Listed on the Luxembourg Stock Exchange

WOOLWICH Building Society -

Floating

Notice is hereby given that the notes will been at at 5.5375% per annum from 28 July 1994 to 28 October 1994. Interest payable on 28 Octobe 1994 will per £10,000 note and £1,395.75 per \$100,000 note

Agent: Morgan Guaranty Trust Company

JPMorgan

Instituto de Crédito Oficial

Statutorily Guaranteed Floating Rate Notes due 2000

will be payable on January 31, 1995

The Industrial Bank of Japan, Limited, Tokyo Agent Bank

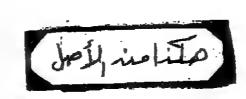
Energy International N.V.

Shareholders in the Fund are advised that payment of a dividend of US\$1.50 per share for the year ended 31st March, has approved by the Annual General Meeting held on 29th July, 1994.

Coupon 25 on 25 on will be paid or entation at the offices of the Paying Agents on and after 5th August, 1994. Cheques will be posted to holders in regist

Copies of the Report and Financial Statements of the Fund for the year ended 31st March, 1994, are available at the registered office of the Fund and at the offices of the Paying Agents,

Curação, 1st August, 1994 By order of the Board of Managemi



NEW YORK

Economic data in the coming days is likely to set the tone for the next meeting of the Federal Reserve's policy-making committee on August 16. Recent data has provided mixed evidence about

the pace of US expansion - not least last Friday's second-quarter gross domestic product figures. The 3.7 per cent growth rate is faster than the long-term sustainable rate: but the figure was below market expectations and consumer spending growth remained weak, helping the bond market to its best gain in weeks. The long bond advanced nearly two points on Friday, to put the yield at

under 7.4 per cent. Friday's employment numbers will determine whether the market can hold on to these gains. After 379,000 new jobs in June most economists expect the July figures to show slower job from 150,000 to 375,000. A weak employment report would

13 Benchmark yield curve (%) 7.00

Richard Waters

further reduce fears of Fed tightening at its August

tAll yields are market convention Source: Mea'll Lynch

.16 years 20

Other data filling out the economic picture this week will be June personal income growth (expected at about 0.3 per cent); the June National Association of Purchasing Managers Index (expected to slip to about 57, from 57.5 in May, due to the build-up in inventory) and new home sales (expected to slow to 700,000 from 738,000 in

The gilt market will start the week in a nervous mood, with many fearing base rates will be

LONDON

increased today or tomorrow. The Bank of England's acceptance of Treasury bills at discounts of up to 5.75 per cent on Friday was seen by some as a sign that base rates, currently 5.25 per cent, were set to rise. However, the Bank also lent money on Friday at existing rates, traditionally a signal that base rates will be unchanged. The result was

widespread confusion in the

The Bank, which is now in charge of interest rate timing could take the opportunity of Tuesday's inflation report publication to make its move. In the absence of a rate change, the markets will have a few economic statistics to assess. Today sees the publication of data on MD, the narrow money indicator which has been worrying Mr Eddie George, governor of the Bank of England. Analysts think Mr George will get some good

ور تروت ا Eltrack yield curve (%) director said on Friday.

All plains see the Strain Morth Lan ent Cyrich news, with the annual rate falling to 6.3 per cent in July, from 6.9 per cent in June. Industrial production and manufacturing output figures, due Friday, will provide further evidence of the strength of the economy. Very strong numbers will heighten

fears in the gilt market of

inflationary pressures, as did last week's Confederation of

British Industry survey and

the Purchasing Managers

7.00

Philip Coggan

We must be very careful that bring the fall in inflation to a standstill or steer it in the opposite direction," Mr Helmud Schreiber, a Bundesbank

FRANKFURT

While his statement had no liscernible effect on German. bond markets, anouzing in the summer hill, it could be read as an indication that the Bundesbank feels some interest rate forecasters are taking too much for granted. While most are still

fident that west Germ

inflation will fall from the July rate of 29 per cent to around 2.5 per cent at the turn of the year, there are growing doubts about how much further it will decline before edging upwards dragging rates along with it. Raw material prices have

limbed relatively steeply since the end of the first quarter, and improved exports and stabilising domestic de may tempt some to raise product prices, Berliner Bank noted at the

40 WW 20 a Lynch

Christopher Parkes

Industrial output and order figures, due this week with employment numbers, will give some indications of how the recovery is moving. But the key number for the markets is July's money supply, not due for three

Until then sentiment is likely to continue to be dominated by external factors, notably US rate expectations, and the nervousness recently afflicting markets in the UK and Italy.

Although investors continue to be wary of committing funds in large amounts into the Japanese bond market due to increasing signs of economic recovery and the possibility of a rebound in the dollar, the yield on the No 164 10-year government bond is expected to remain within a range of 4.2

TOKYO

per cent to 4.4 per cent over the next few weeks. A shift in bond portfolios by Japanese institutional investors from mid-term bonds to long-term government paper support for the Tokyo bond market. Life assurers and financial institutions are reluctant to buy up the market, but are ready to purchase long-term bonds around the 4.4 per cent to 4.5 per cent level due to the lack of risk-free high-yielding

Barclays de Zoete Wedd in Tokyo reckons vields at around 4.5 per cent for government bonds are too high considering the low rate of

Benchmark yield surve (%) Month ago -

Emiko Terazono

inflation: "Given the 0.3 per cent year-on-year decline in Tokyo prices in July, and the core rate of 0.7 per cent, it is clear that even official inflation measures are catching up with the reality of declining prices for consu

Over-supply concerns are likely to subside. Last week's 10-year government bond nuction saw active demand, with Y1.622bn of bids for Y600bn of available bonds.

Capital & Credit / Antonia Sharpe

Not all gloom and doom in Italy

Investing in Italian government bonds never been in the faint-hearted, given the country's tradition of political turbulence, so the lat-est drop in the market should come as no surprise to the seesoned investor.

Ever since the fledgling government headed by Mr Silvio Berlusconi started to crack under the combined weight of the premier's embarrassing climbdowns and the allegations of corruption, Italian bonds and the lire have been

on a slippery slope.

By the end of last week, the yield spread on 10-year Italian bonds stood at 412 basis points over their German counterparts. In late April, the postelection euphoria had caused this spread to parrow to around 250 basis points. Meanwhile, the lira has been hovering around L1,000 to the D-Mark, close to its all-time low of L1.006.

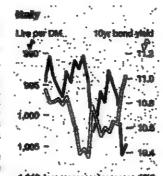
There we signs too. international investors have been voting with were feet. "The five - seen large all out of Indian by foreign into

high-yielding
Spain Denmark,"
says Mr Andrew King, investment manager at Swiss fund managers, Lombard Odier. He cites Italian Ministry of

Finance figures which show a 1½ per cent drop in foreign ldings of Italian debt to 9 per cent from May to June. The chances are that the June-July figures will show a further decline. However, in spite of the

mood of animosity towards the Italian market, there are sevaral factors which could prompt a sudden turnround in sentiment. "Italy is a market which goes in peaks and troughs, and we are undoubtedly in a major trough," says Mr Darren Williams, European fixed-income analyst at Merrill Lynch. "However, unless you are assuming a total disaster

scenario, things will improve." Mr Ken Wattret, international economist W Midland Markets, the marcould quickly once investor attention shifts from the government's rem to Italy's positive cut-



Inflation in Italy is now at its lowest level since late 1969, and at 3.7 per cent is not far above Germany's 29 per cent. "Italy's inflation rate is much better than the market was expecting but so far the news has been over-ridden by the political situation," says Mr Wattret

Another factor in Italy's favour is that the domestic situation has not caused the yield spreads on its foreign-currency bonds to widen significantly and its credit rating has not

come under threat. The feeling is that the rating agencies went too far last time, so this acts as some sort of cushion," says Mr King. However, he adds that the rating agencies would take a dim view if the government fails to take steps to correct the country's enormous budget deficit.

In this respect, the Italian Treasury would do well to perstade Mr Alberto Giovan the academic credited with restoring Italy's credibility in the international bond market, to stay on after his two-year consultancy period expires. There has been speculation that Mr Giovannini will return to Columbia University in the autumn but last week the sphinx-like professor was giving nothing away.

Although there is still a dan-

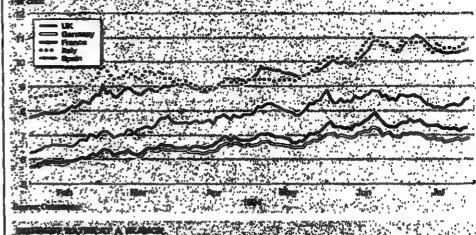
ger that Italian bonds will fall further over the summer as the corruption bandwagon rumbles on, analysts are confident that the brave will be rewarded in the long term. Mr Wattret forecests that the lira will recover to Leao to the D-Mark by the year-end and that the spread over German government

bonds will narrow to 270 hasis points by February next year. Mr Williams believes the spread will come below 350 basis points and that the lira will rebound by as much as 20 per cent once the political situation stabilises.

in spite of their defensive attitude towards the Italian merket international investors know that they cannot boycott weighting in the global bond indices against which their performance is measured, they sed to hold Italian bonds of find a proxy for them. Italy accounts for just under 7 per cent of Salomon Brothers world government bond index and is the fourth-biggest component after the US, Japan and

Unlike Spanish and Danish bond markets, where they exert considerable influence, international investors are not such big players in Italy where the domestic investors still call

"And the Italians are still prepared to believe that Berusconi will be a a winner," says Mr Wattret.





10 year MCU bonds

Taken and and and a second

T. C. Ziraat Bankasi reposited in the Republic of Trackey

U.S. \$140,000,000

Notice is hereby given that the for period july, 1711 to 31st January. Is 66%. The January. Is 6%. The Floating Rate Note Interest Amount payable on list January, let is U.S. 5335.83 per U.S. Notes, Interest Rate

applicable for Note-January, us Interest Floating Note Interest payable will be U.S. U.S. \$10,000. Benkers Trust Company, London Agent Bank

LEGAL NOTICES

(ormerly D.W. (investments) limited ("the Company"), in ms ill a Trest Dued i rescuted on 19th blants 1955, that they broad to take exps to distribute the funds beld on treat by them amongst those of the Company's farmer client investors who one entitled to the same. Any former client investor of the Company who ors that they have a claim in you funds the Trustees intend to distribute, but who have not to date submitted the details of any such

taken to the Transacs, should do so in writing to the addrson indicated below, to be received by no luter than 4.30pm on Lat September 1994, Details of any much cinises abouted be submitted in writing to Stobin Tutty, Fets Williams, City Case Money, J9-45 Pleabury Squam, London BCCA (UU).

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Market-Eye



FT CONFERENCE

WORLD AEROSPACE AND AIR TRANSPORT

1.4.2 Separation 1984, London
This conference, which has the support of the Scolety of British As Companies, is the latest in the Financial Times, international series of the Scolety of British As Companies, is the latest in the Financial Times, international series of the Scolety of t read contact freezings. It was received the fallow to account the read of the fallow growth, logother with the impact of government policy. Speakers include: Profusor Herman De Croo, Cornité des Sages; lêt Flobert L. Dryden, Boeing Commercial Airplane Group; Mr Robert Aghing, Brillish Airways; Mr Herm Mirtos, American Alfitos; Mr Michael T Smith GM Flughes Bestronies; Mr Jan Steeberg, 8AS, and Mr Sammer and Mr Michael Airplane Airman And Mr Michael Airplane Airman Ai

THE MUCLEAR INDUSTRY - INTO THE 21ST CENTURY?

THE MUCLEAR HIDUSTRY - INTO THE 21ST CENTURY?

14 & 15 Suptember 1994, London
This high-level meeting wit examine the outlook for rendear power in North
America and western Europe, considering the impact of current government
norabots and the role of nuclear in the fuel role, and review gowith potential to
the Asia-Pacific region. The challenges of improving efficiency and safety at
nuclear plants in vestern Europe and issues related to reamaging the fuel cycle
will also be addressed. Speakers will include: Rémy Carle, Edif: The
Homorable John Reid, Canadian Nuclear Association; Dr Thomas B Cochran,
Natural Resources Delevase Council, USA; Dr Yill-Yun Hau, Alorate Energy
Council, Talever; Richael Folger, United Ringdom Afrex Limbac; Professor
Jurgle Viennas, Lithuanian Energy Institute; Thierry Baudon; ESPD; John
Galimese CS, British Nuclear Puols; Mr Jean-Pierre Rougean, COGEMA and
Dr Rechell Western, Filands of the Earth.

RETAILING TOWARDS 2000 - COMBINING VISION AND ENTICENCY Part ALING TOWARDS 2000 - Commission Visitor AND EPPERSENCY London, 21 & 22 September 1994
This year's meeting will tocus on the meet for the retail industry to exploit fully the opportunities that new rearliers and new sectorologies ofter while, at the same thrus, dealing with the fundamental business critisinages— mechanism profitability; controlling costs; managing the property portfolio and 'crime busing.' Winning retail sensitive will be shore that accessfully combine vision with efficience. Sometiers at the conference, wranged jointly with Coopers & Lybrand, Ben Lien, Emportant Holdings (Singapora) Ltd; George Jack Walter, Megaloods Stores Inc., Mark Lilly, British Retail Consordium.

INTERNATIONAL BARKINGS
Headrid, 29 & 30 September 1994
Trie major forum, immediately prior to the sential receitings of the IMF and the World Burk, will debate the outcook for benings in the mid-1900s and address a wide range of tissues of current concern to the international financial consumbly. Specimen teking part include: Endle Botin Rice, Barco Sentander, Or H Onno Ruding, Ottoorp, Richard J Boyle, Chaste Manhetten Benk MA; Dr Josef Adventment, Credit Subset; Egidio Glaseppe Brunc, Credits Italiano and Dr Horst Kohler, Deutsche Speriesservand Glovenband.

INTERNATIONAL INFRASTRUCTURE FINANCE
-BULD-OPERATE-TRANSFER (BOT)
London, 4 & 5 October 1994
This major Financial Times conference will focus on build-operate-transfer
(BOT) opportunities in key growth markets, to include Eastern Europe, SouthAfrica and the Middle East. The challenge of Resercing and managing BOT
contracts will be highlighted in recent case studies of major projects in the
power, telecommunications and environmental infrastructure sections. Specifical
include: Sir Alistair Morton, Eurotuanel, Thierry Baudon, EBFD, Dr Jacques
Rogazinski, Banchiza, inter Sud, The World Bank, John Hoffsen III, Morgan
Stanley & Co Lintiaud, Michael Heath, Nynex Network Systems Company,
George Kappez, KMR Power Corporation, Mr Christopher Nash, Mortiment
Water International Ltd, Mr Istalcoln: Stephens CB, The Berne Union.

WORLD MOSTLE COMMUNICATIONS
London, 17 & 18 October 1994

The Financial Times will will on the growth of exoble communications, the various technologies being adopted and new operator strategles. Speakers include Dr Herbert Ungerer from the European Commission, Nr Charles Wigoder, Meneging Director of The Peoples Phone Company, Dr Joschim Dreyer, Chairman of Debtel Kommunitationsechnik, Nr Berry A Kaplan, Vice President of Goldman Sache & Co, Mr Tontes Jolin, Managing Director of Uniscurce Mobile, and Mr Jen Ninele, President & Chler Essoutive Officer of Air Touch International.

DOING BUSINESS WITH SPAIN
Madrid, 23 & 24 November 1994
The '94 conference, to be arranged with Expension and Actualidad Económics,
will take as its theme Spain Competing in Surger. An entherir penel of
Government and Industry Isaders will assess the occasing challenges and
prospects for sustained growth. Labour market reforms and what cast he does
to create the conditions for Spain's competitioness will be reviewed.

WORLD TELECOMMUNICATIONS

WORLD TELECOMMUNICATIONS
London, 6 & 7 December 1994
The Financial Times annual conference will review the driving forces changing the shape of the World Telecommunications industry. International alliences, competition and liberalisation in European telecommunications will be examined, together with the opportunities for equipment manufactures in a liberalising market. The international panel of speakers includes; Dr Michael Nelson, Special Assistant for Information Technology, The Ottics of Science and Technology Policy, US; Dr Martin Bengemann, Marmber of the European Commission, The Rt Hon Lord Young of Graffiam, Executive Chairman of Cable and Wireless, and Or Harm Baur, Member of the Board, Sigments AG.

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International / Graham Bowley

Investors stay cool on Ecu sector

The fortunes of the Ecu bond "The performance in absolute as the prospects for European monetary union, with the Ecu as Europe's single currency, have grown and then recede

The market was dealt a severe blow when the Danes rejected the Maastricht Treaty at their first referendum in June 1992, and then again three months later when sterling and the Italian lira were unceremoniously dumped from the European exchange rate

A year on, in August 1988, the French franc's woes and the widening of the ERM's bands which occurred as a result precipitated a further sell-off in Ecu bonds.

the promised so much colanned and it has remained in lb doldrums since. Today, issuers and investors alike are scarce. In June, the con the 10-year Ecu bond climbed to 46 basis over its the oretical counterpart.
The theoretical yield is the yield which would result from

constructing a synthetic Ecu bond from the underlying con-stituent markets. The actual bonds trading in the market. The comparison of the two is a market's bealth

However, "it is wrong to be too pessimistic about the Ecu bond market", says Mr Steve at Credit Lyonnais in Paris.

market have risen and fallen terms has been poor but it as the prospects for European must be viewed in context. Government hand markets and other eurobond markets have also had a disastrous year

Certainly, Ecu bonds have been one of the hardest hit as confidence in Europe's bond markets has evaporated over worries about the size of government borrowing, inflation and the direction of European interest rates.
Two factors have kept the

market in the doldrums," said Mr Philip Cadix, of Paribas in "One is the fact that EMU

seems to have become less of a political likelihood; the other is this year's protracted and vicious bear market which has that investors have concentrated on their own domestic markets." The bear market looks set to

continue for a while yet. With political in Italy adding to the uncertainty, and the wranglings over choosing Jacques Delors as president of the European Commission present-ing the picture of an increas-ingty divided Europe, the pros-pect for the Ecu market would not seem to be a bright one. Nevertheless, some analysis have recently become more opthnistic. "We have begun to see some buying interest in the last few months, from institu-tions in particular but also

from Milli investors with

money to spend, both attracted

Societ Deliverates

by the relatively high yields," said Mr Major. Since its peak in mid-June, the gap between
yields closed. Actual Ecu
bonds are now trading two
basis points below their theo-

"Between 75 per cent to 80 per cent of Ecu debt is issued by governments or organisations such as the World Bank and European Investment Bank, which means that this is a high quality market with littie risk for the investor," said Mr Danny Peeters, head of the Ecu desk at Kredietbank in

The biggest buyers of Ecu debt are the Benelux countries, Switzerland and, more recently, German benks have been attracted by the high yields on offer. would also be tempted," said fortunes will be difficult.

Mr Major. "There is about DM180bn worth of German debt to be issued this year, ply. The Ecu market does not However, there has been some disappointment that less than half of the Ecu funds currently being freed as many old Ecu bonds come up for redemp-

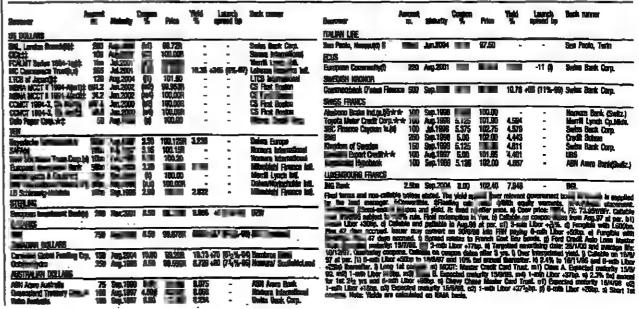
tion, estimated to be about ECUlba each month, are not being reinvested in Ecu bonds. In addition, the market contimues to suffer from a lack of aggressive marketing of the debt, which has been the case ever since several of lim large investment banks pulled many of its resources out of the Ecu

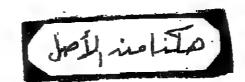
bond market. The largest issuer | Rcu debt to the French government, but even it is limited to small offerings by the expensiveness of cur-

rent yields.
"Most recent issues have been small, which means that investors are not focusing on the Ecu bond market," said Mr Cadiz. "If it is to be resuscitated, we need to begin to focus again on the Ecu and on EMU. At the moment, these are the last things on people's minds."

Even if there is a recovery in Europe's bond markets, until monetary union and the adoption of the Ecu as Europe's sinbecome more than a dream, a rever-"If I were in their position, I sal in the Ecu bond market"

NEW INTERNATIONAL BOND ISSUES





Data provide good omens for bulls

NEW YORK

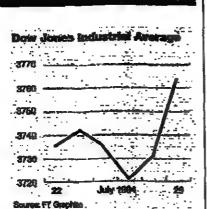
After Friday's 33-point rally by the Dow industrials, share prices could fall prey to profit-taking this morning, but the outlook for the week is decidedly bullish. Indeed, the mood on Wall Street has turned full circle in the past seven

At last week's opening, investors were wringing their hands over the prospect of an imminent move by the Federal Reserve to push up interest rates. When Mr Alan Greenspan warned that it was an open question whether the Fed would lift rates in the near future, most market watchers were convinced a decision to do so had

already been made. This morning, with the Commerce Department's preliminary readings on cond-quarter economic growth out of

the way, the pundits are not so sure. The surprise was that there was no surprise," says Mr Hugh Johnson, chief investment officer at First Albany, the New York securities house, remarking on Friday's announcement that the economy grew at a 3.7 per cent rate, shade below the consensus forecast. With Mr Greenspan's words ringing in their ears, some investors had feared growth would come closer to 5 per cent.

Still. I backward view of the fundamentals usually fails to shift sentiment so radically. But Friday's data also included news of hig jump in business inventories, which suggests the economy had produced goods faster than consumers could buy them. That's not a good omen for future growth," says Mr Martin Regalia, chief economist for the Chamber of



Frank McGurty

It's good omen for share prices, however. Combined with a more stable dollar, the GDP data lessened the likelihood that the Fed will tighten credit before its August 16 policy-making session.

"The report could not have come at a better time," says Mr Johnson, assuming a contrary viewpoint. Last week, "bearishness was becoming very pread and embedded. That's when it's time to start thinking positive.

The First Albany analyst expects this week's economic news to reinforce the favourable outlook. The July survey of the National Association of Purchasing Management, due out today, is likely to show a decline in manufacturing activity. The index of leading economic indicators, scheduled for Wednesday, should show no change for the fourth

month in a row. Priday's crucial employment data is expected to bring the most reliable confirmation of a moderating economic trend. Non-farm payrolls are thought to have grown by 200,000 last month.
If so, Mr Alfred Goldman, technical

analyst at III Edwards in St Louis, sees sustained move forward by stocks. There could be some resistance at the 3,800 level," he says, "but the market is sure to break through before long."

LONDON

Pause for breath as old fears niggle

week's auction of £2bn government securities, and the renew nervousness in gilts on base rate worries, is potentially alarming for counties. Just when the investment strategists were congratulating the market on successfully shifting from an interest rate to an earnings-driven phase, all the old fears seem to be

Or perhaps not. While BZW and Strauss Turnbull, to name only two. quickly revised their views on base rates in the light of the manufacturing sector survey from the Confederation of British Industry, there seems little overall change in views on prospects for the equity market.

Unfortunately, Friday afternoon provided sudden challenge to near-term prospects on the interest rate

The Bank of England's willingness to see short-term rates rise dramatically brought the fear that the authorities planned a defensive strike - by raising base rates without waiting for inflation prospects to worsen.

Both BZW and Strauss Turnbull went on to emphasise that the strength of recovery in equities implies that share prices still have a good deal further to go before interest rate worries become a serious problem.

Strauss is raising its year-end Footsie target to 3,350-3,500, with next year expected to bring the index within a 3,600-3,750 range. The reasons given are the strong growth in gross domestic product in the UK, as elsewhere in Europe. Strauss sees growth of share

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SOMETT GROUND

Terry Syland

earnings at near 50 per cent this year and next, with growth in dividends at a cumulative 21 per cent over the two

NatWest Securities stresses that economic fundamentals "do not point to an immediate rate rise". At Kleinwort son. Mr Albert Edwards comme that the gilts failure merely emphasis equity headwinds".

The IIK market is still seen mittedly by London-based analysts, as one of the most attractively valued international markets. ... view which had been strengthened by the fall in sterling against the D-Mark until that trend was reversed on Friday

The City of London has turned rvons ahead of tomorrow's Bank of England Quarterly Bulletin which, so the market rumours ran, will confirm that the Bank is worried about inflation and determined to ensure that Mr Kenneth Clarke, the UK chancellor of the exchequer, does not forget it. Equities now stand at a yield

count to index-linked gilts, and this alone, comments S. G. Warburg, suggests that a pause by equities is warranted in the thin pulling equities which have been leading the stock

International Offerings / Conner Middelmann

Austrian sales indicate a desire for the real thing

privatisations indicates the government is finally relinquishing its tight grip on the country's banking and manufacturing industry.

Moving away from the late 1980s policy of phony privatisations, when it sold minority in man but always retained majority or voting control, there are growing signs that the government is finally going for the real

That was home out by last week's completion of the privaof Americ Mikro-Sysme literational (4Mf), which became the first company in Austria to be com-

The flotation in May of 51 cent of VA Technologie. and the planned disposal by the government of its 26 per cent blocking minority in VAE Eisenbahnsysteme in 🕒 , entumn, also indicate the government means business.

Progress on other privatisation projects - notably OMV and Creditanstalt-Bankverein - less encouraging.
The sale of 20 per cent of OMV w Alm Phase in May still leaves the government with a 52 per cent bolding. It promises to all more, but browning could be forgiven for believing the desire to retain an Aus-

The ongoing squabble over Creditanstalt, the country's number two bank, could further fuel such suspicions.

The government, which holds 49 per cent of Creditanstalt equity and 70 per cent of the voting rights, wants to sell part of its holdings before the end of the year. But a political dispute - intensified by political mudslinging and horsetrading in the run-up to the October general elections - has arisen 🕶 🚥 rival bids

the has received. The first bid came from CS Holding, the big Swiss interna-tional financial group, which hopes eventually to own 100 per cent of the bank.

Mr Ferdinand Lacina, finance minister and member of the Social Democratic party, clear at an early stage that he looked favourably on the CS bid. But Austria's conservative business ment, fearing lime tralling-stalt under CS would become less sympathetic to their interquickly put together a consortium to make a counter

Germany's Allianz insurance group joined the fray, confirming last week that it is interin Creditanstalt. although it has yet to make a

"The whole thing is rather messy and isn't doing a lot of

and the overheating economy

Turnover is expected to

towards the end of last week

inspired by the expiration of

settle down after a surge

in China.

good for Creditanstalt," grum-bles an Austrian banker, says he leans towards the CS Holding offer. "If the consortium in, everyone will want to have a say, whereas under CS Holding, there would at least be a clear-cut strat-

In spite of official foot-dragging, Austrian equity issuance is expected to pick up again international equity markets come back to life.

The next wave of privatisa tions is expected to include the sale of the state holding company OIAG's remaining 26 per cent stake in VAE systeme; the partial sale of companies such as Creditanstalt Bank Austria: and the privatisation II III remaining viable firms belonging to OIAG.

Further sales of shares of Verbund, the big national electricity producer, and EVN, II.

Lower Austrian electricity and gas utility, may also be on the

Although Austrian have had an impressive run in recent months, their outlook remains rosy, supply notwithstanding, in a market expected benefit from steady, lowinflation growth lifted by EU membership accompa by further cuts in short-term

OTHER MARKETS

CHEMICALS

Generally good results are expected this week from DSM and Akzo Nobel, the Dutch chemicals groups, as well as the French group Rhône-Poulanc, writes John

These three will be followed later in the month by the three leading German groups, all of which should confirm the

positive state of the industry. Hoare Govett comments that over the past six months the volumes for a number of basic chemical products has improved strongly, while demand/supply ratios have become relatively tight.

"As a result, pricing has

slowly started to strengthen." Hoare favours the Dutch groups, and believes that the second-quarter results will provide a pleasant surprise. However, it remains more cautious on the French

We still believe the long-term prospects to be sound, but the second quarter might be somewhat disappointing as the possibility of negative surprises in the financials (as in the first quarter) cannot be excluded."

Goldman Sachs tends to agree, while also highlighting the strength of the German

In all, says Goldman, the stabilisation of the dollar and a return of confidence to the

financial markets "can be expected to lead to a renewed period of outperformance for the sector

Paribas also rates Bayer as a buy, along with more defensive companies such as Henkel and Air Liquide, but it too highlights the Dutch and French groups as buys.

BANKS

The Swiss bank reporting season continues this week with half-year figures, expected on Wednesday, from UBS. Analysts are forecasting that the Big Three banks will show sharply lower earnings during

the first half of 1994 after

exceptional trading profits

made during the 1993 stock

market spree. Half-year profits at UBS, the country's largest hank, are expected to have fallen by between 38 per cent and 35 per cent due to a 45 per cent to 50 per cent drop in

trading income.

Better-than-expected results could breath fresh life into the stock market after last week's largely downbeat performance. However, one analyst warned that had news from the banks could see a slide of up to 10 per cent in their share prices which would be carried over into a li per cent to il per cent fall for the market as a

The German reporting season continues this we with figures from BHF-Bank, Vereinsbank and Hypo-Bank.

MILAN

Politics is likely to remain firmly in the driving seat this week, after last week's excursions which saw the market fall by almost # per cent in the first three days before a more positive tone emerged.

However, the merket still has its supporters. UBS says that there is much in Italy that now looks good value for the ocean-faring investor with good sea lags.

The currency is undervalued, 10-year bonds offer a yield seven points above the current inflation rate, and the equity narket has fallen sharply since May, in spite of promi growth prospects.

HONG KONG

trian majority still stands.

China enterprises, listed on the Hang Seng Index - the so-called H shares - are likely to remain at the centre of investors' attention this week. ahead of the launch of the new Hang Seng China Enterprises index, which starts next Monday, sorites Louise Lucus.

Strong demand pushed prices of the H shares up last week, ending a sluggish period for the counters

There are now 10 H shares trading on the Hong Kong market; Qingling Motors will become the alevanth when its shares start trading on August

The reporting season is now under way, although the blue

chip sector will do not begin to give details until the middle of TOKYO

the month. Confidence, lifted by last week's buying by public funds, However, Guangzhou is expected to remain firm as worries about Nikkel index Shipyard International - one of last year's H share listings falling below 20,000 have unveils its interims on Friday. Brokers reckon trading will

However, aggressive buying be in a narrow range. On the plus side, sentiment has above 20,500 is unlikely because of lingering concerns improved following the better over the yen and corporate than expected results achieved at last Tuesday's land auction. Dealers and individual But on the downside, concerns remain over US interest rates

profits, writes Emiko Terazono investors may actively trade Nippon Telegraph and enhone and East Japan Railway, two semi-privatised companies, ahead of the auction for Japan Tobacco's share offering in mid-August.

Compiled by Michael Morgan

Bow Valley Energy Inc.

IMPORTANT NOTICE

Common Shares and Class Z Preferred

Bow Valley mailed a Notice of Special Meeting of Shareholders, Notice of Petition and Management Information Circular to the holders of Common Shares and Z Shares of Bow Valley (collectively, "Bow Valley Shareholders") in commercion with a Special Meeting of Bow Valley Shareholders to be held on August In the state of th in the Management Information Circular) that would be applicable to proposed Arrangement, as soon as possible after that reference price

Talisman Reference was manifest on July 27, 1994 to be sauce based on the date for the Special Meeting being August 5, 1884.

For purposes in the proposed Arrangement the corresponding Share III Price Price (as in III Management Information Circular) were

Further information regarding these determinations may be obtained by contacting Bow Valley's Investor Relations Department, at 1-800-482-3166.

Gordon A. Milne m and

Holders 🗷 SAISON GROUP PARCO CO., LTD. (the "Company")

Warrants to subscribe up to \$13,885,000,000 for shares of commo stock of the Company issued in conjunction with U.S.\$100,000,000 4 per cent. Guaranteed Bonds due Warrants";

Pursuant - Chase 4(C) of in Instrument of 11th April, 1991 relating to the Warrants, I is to you that: i. The Company, a its meetings held on 19th and 26th July, 1994, resolved to issue and offer Y10,000,000,000 5/5 per cent. Convertible

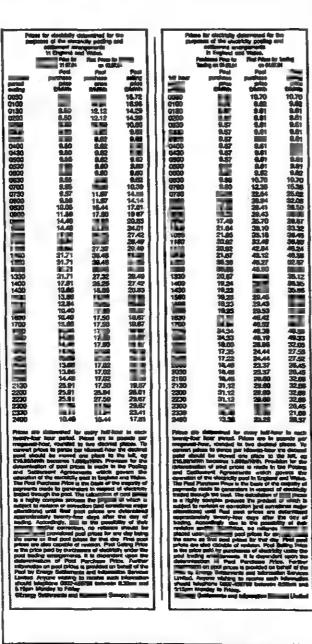
Bonds due 1999 with the initial conversion price of \$1,374 per share The market price of calculated pursuant to the relevant provisions of Maforesaid manner during the fit trading day period from and including 12th May, 1994 to and including 28th June. was VI 380.70.

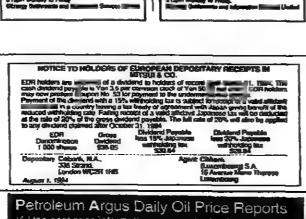
2. The aforesaid issue resulted in adjustment to the subscription prace of the Warrants in follows: Subscription Price adjustment: Subscription Price after adjustment: V2.101.20 The aforesaid adjustment will take effect in from 11th August, 1994, Japan time.

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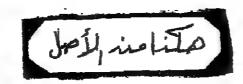
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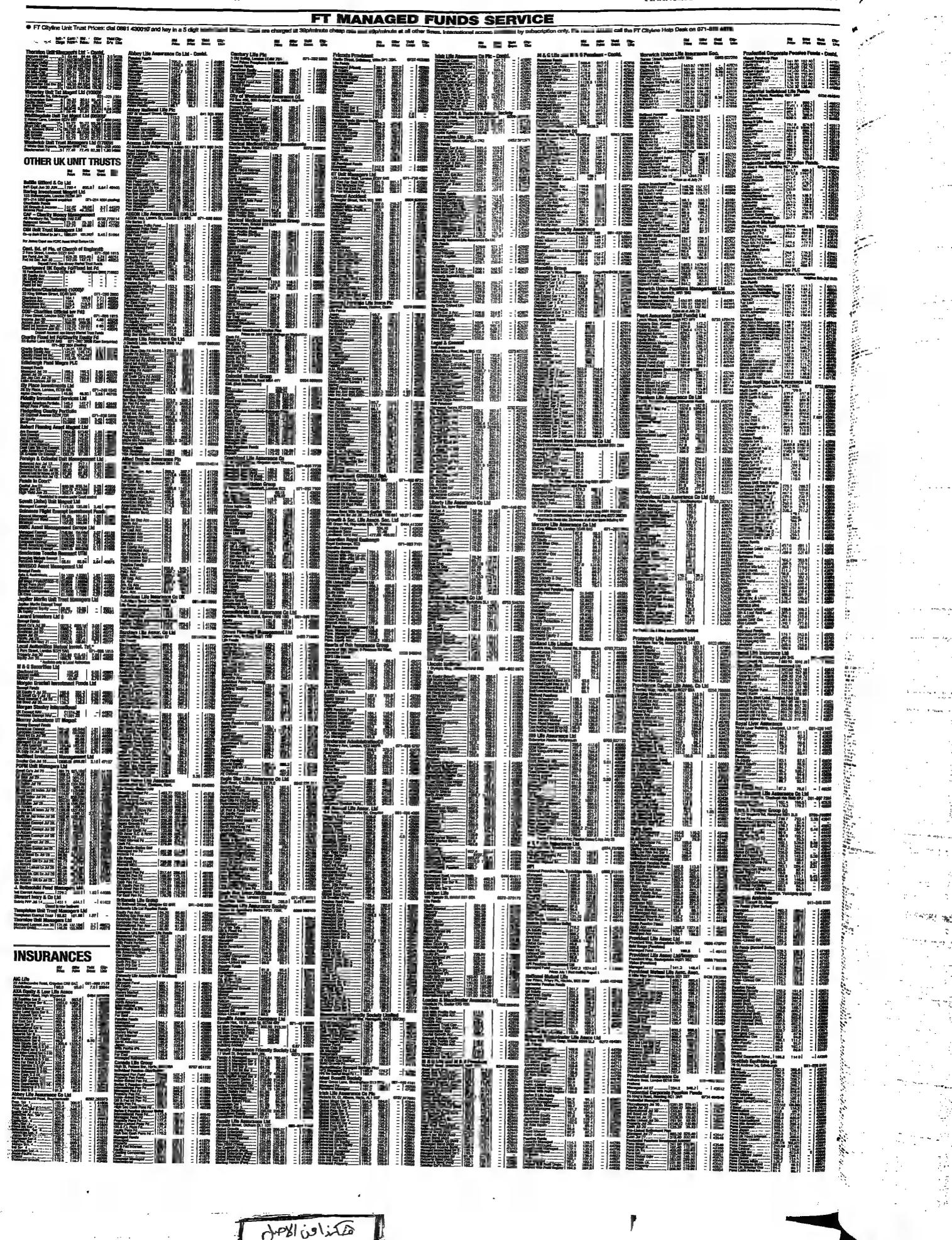
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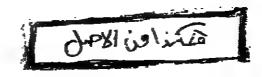
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MONDAY

Reconciliation in Warsaw

Germany's president Roman Herzog joins US vice-president Al Gore, UK premier John Major, René Monory, president of the French Senate, and a representative of Russian president Borls Yeltsin in a ceremony of remem brance and reconciliation to mark the 50th anniversary of the Warsaw Upris-



zog has wel-comed the invitation from Poland's presi-dent, Lech Walesa (left), as "courageous", and there is every sign that follow in the steps of his pre

President Her-

decessor, Richard von Weizsäcker, and do all he can to improve relations between the two neighbours.

William Perry, the US defence secretary, returns to Washington from Rwanda. Some 200 US troops arrived in Kigali, the Rwandan capital, yesterday to prepare the airport for relief flights.

South Pacific Forum: Leaders of 15 South Pacific nations, including Australia and New Zealand, commence their annual gathering, held this year in Brisbane. The forum takes place amid warnings from Australia that South Pacific countries need to rethink economic and environmental policies.

Swan Hunter: Receivers of Swan Hunter are meeting with Constructions Mecaniques de Normandie, its sole prospective buyer, in London this morning to try to clinch a deal to save the Tyneside shipbuilder.

Australian businessman John Elliott, and three executives of his former Elders IXL brewing and agriproducts group, face committal hearings at Melbourne Magistrates Court. Along with two Sydney bankers, they are charged with theft and conspiracy to defraud Elders of A\$66.5m (\$49m). through sham foreign exchange trans-

"M" plates: The first cars with "M" licence plates will be registered in the UK. The Society of Motor Manufacturers and Traders is looking at alternative number plate systems which could replace the UK's annual prefix letter by

insider trading becomes illegal in Germany today. Under the previous voluntary code of practice the most severe sanction was the loss of a bro-ker's trading licence.

South Africa's parliament is due to reconvene in Cape Town.

Holidays: Australia (bank holiday in some states), Canada, Iceland, Ireland, Jamaica (Independence Day), Scotland, Switzerland (National Day).



TUESDAY

Lukashenko meets Yeltsin

Alexander Lukashenko, the newly elected president of Belarus, meets Rus-sia's president Boris Yeltsin in Moscow. Lukashenko came in on a ticket of union with Russia and has said that the Belarus economic crisis cannot be solved without Russlan aid.

Silvio Berlusconi, the embattled Italian premier, will make a statement to parliament on his growing confronta tion with the judiciary. He is expected to use the opportunity to clarify the conflict of interest between his role as prime minister and the ownership of his Fininvest empire.

Awandan crisis: Donor countries meet in Geneva to discuss the United Nation's humanitarian aid effort for Rwanda and pledge contributions to the UN's \$434m appeal launched on July 22. The worst postwar refugee crisis has seen the uprooting of half Rwanda's 7m population, a ravaging cholera epidemic among refugees in Zaire and the slaughter of half a mil-

US vice-president, Al Gore, arrives in Kiev for a one-day official visit with Ukraine's new leadership. Mr Gore comes on the personal invitation of President Leonid Kuchma, just two weeks in office. Discussions are to focus on Ukraine's progress in dismant-ling its nuclear arsenal and launching economic reforms.

UK economy: The Bank of England's quarterly inflation report, published this afternoon, may be used as justifica tion for a change in base rates, as it was in February. Even if rates are unchanged, the market will scan the report for the Bank's expectations of inflation rates in the medium term.

Kuwaiti and US troops will start a 12-day joint military exercise to commemorate the Iraqi invasion exactly four years ago, according to the Kuwait News Agency. US officials had no immediate comment.

ecific gravity: Serious drinkers will be descending on the Olympia exhibition centre in west London for the Campaign for Real Ale's five-day Great British Beer Festival.



Bonnie Prince Chartie, as painted by the French artist La Tour, joins the Scottish National Portrait Gallery on the 249th anniversary of the Young Pretender setting foot on Scottish soil.



WEDNESDAY

Fed releases Beige Book

The US Federal Reserve releases its Beige Book, an up-to-date compendium of regional reports on the US economy. The Commerce Department's report on leading economic indicators for June is expected to climb, pushed by rises in orders for new plant and equiment and materials prices.

Nigeria: A general strike is threatened in Nigeria from today amid rising concern that the country's worst crisis in decades could degenerate into ethnic chaos.

Nigeria is suffering from a complete polarisation between the military government of General Sani Abacha and the pro-democracy supporters of Mosh-ood Abiola, who is being detained on treason charges after declaring himself victor in a 1993 election that was later

Cuba's parliament debates a new tax law when it meets in ordinary session today. Authorities on the Caribbean island have been laying the groundwork for the gradual introduction of some personal taxes, as part of a cautious process of economic reform. The aim is to bring order to the country's internal finances by reducing pesos in circulation and cutting the budget deficit.

Anti-atomic rally in Hiroshima:



A representative of Japan's ruling conserva tive Liberal Democratic Party is to attend, for the first time, the annual World Rally against Atomic and Hydrogen Bombs, in Hiro-

shima (to August 6). The LDP has never in its 39-year life sent an official delegation to rallies calling for a ban on nuclear weapons. The rally is backed by the LDP's coalition partner, the left-wing Social Democratic Party, its traditional enemy until the formation of Japan's latest coalition government in late June.

US-NZ relations: US assistant secretary of state Winston Lord starts a two-day visit to New Zealand. It is the latest step in a gradual improvement of relations after a seven-year rift. The State Department suspended senior level contacts with New Zealand in 1987 because of legislation banning nucleararmed and nuclear-propelled vessels from the country's ports.

Banana dispute: Representatives from eight Latin American bananaproducing countries are meeting in Nicaragua to try to end a dispute over import quotas in Europe. Unlike the other Latin American staple export coffee - bananas have been floundering at 10-year price lows on the international markets.

Statistics to be released this week

ECONOMIC DIARY



Silvio Beriusconi will defend his proposals to resolve the conflict of interest between his political and business interests in a puritamentary disbate on Tues



Court decision on Nasreen A court in Dhaka is due to consider

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whether to declare Tashima Nasreen a fugitive. Anybody sheltering her would then be committing an offence.

The feminist Bangladeshi writer is in hiding following death threats because she allegedly insulted Islam. Last week she received an invitation to visit Norway, which could defuse the situation by getting her out of Bangladesh.

Tin mine: Managers at Britain's last operating tin mine, South Crofty, Cornwall, will know today if their share offering has raised enough to get them through the next 18 months, when they hope tin prices will be higher. If \$1m is raised by midnight, the UK government and RTZ Corporation will write off loans of \$30.4m (\$47m). Otherwise, the future looks bleak

Saleroom: Batman and Superman slug it out in South Kensington as Christie's London office holds its first sale of comics. It includes the first editions to feature the American heroes: Superman in Action Comics on June 1 1938, and Batman in Detective Comics in May 1939. The Batman comic, the rarer of the two, has an estimated value of £30,000-£40,000. The Superman comic is estimated at £15,000-£20,000.

Rockethall world championships open in Toronto (to August 14).

Cricket: The second test match between England and South Africa at Headingley, Leeds (to August 8).



FRIDAY

N Korea-US talks resume The US and North Korea are scheduled to resume high-level talks in Geneva on international inspection of North

Korea's nuclear programme. Discussions, which began on July 8, were suspended after one day following the death of President Kim II-sung. Pyongyang has promised to suspend

its nuclear operations if progress is achieved, including possible US diplomatic recognition and economic aid in return for full inspections.

The talks will be the first main test for North Korea's new leader, Mr Kim Jong-il, the son of the late president.

US economy: The Labour Department may drop the unemployment rate from 6 per cent to 5.9 per cent. This could alarm the Federal Reserve, ever alert to early signs of tightening labour markets.

Nigeria is host to a summit of West African heads of state.

Chinese Index: An index for Chinese enterprises listed on the Hong Kong Stock Exchange is launched today. The Hang Seng China Enterprises Index comprises the 10 H-share companies.

Exit Graces: Unless £7.6m (\$11.8m) is raised by today, Stephen Dorrell, UK national heritage secretary, will allow an export licence to the Getty Museum, California, for Canova's neo-classical sculpture The Three Graces. It is not expected that a sum to match the Getty's purchase price will be raised.



WEEKEND

Samper becomes president

Outgoing Colombian president, Cesar Gaviria, is due to hand over power on Sunday to president-elect Ernesto Samper, who narrowly won the May 19 election. Mr Gavirus is to become secretary general of the Organisation of American States.

Hiroshima ceremony: Peace Memorial ceremonies take place on Sat urday to mark the anniversary of the 1945 atomic bombing of the city.

Aids conference: The 10th international conference on Aids starts on Sunday. This year's week-long even in Yokohania is likely to be smaller than last year's in Berlin, not because of a lack of scientific developments, but simply because of the expense of travelling to and staying in Japan.

The conference is expected to yield details of trials showing that the drug AZT can inhibit transmission of HIV from mother to child, and news about the effectiveness of using three drugs in combination,

Guinea-Bissau vote: The second round run-off in the presidential elections in the west African republic is held on Sunday. In the first round on July 3, head of state Jono Bernardo Vieirafell fell short of an outright majority against the leading opposition candidate, Kumba Yala,

Compiled by Patrick Stiles and Ian Holdsworth. Fax: (+44) (0)71 S73 3194.

Other economic news

P. L. H. F. T. TALLET AND

Monday: As the markets buzz in anticipation of a UK base rate rise and the publication of the Bank of England's quarterly bulletin, UK figures will be watched with particular interest this week.

Today's data on M0, the narrowest measure of the money supply, is expected to show a slight slowdown in its annual growth rate. But with the market forecasting a 6.3 per cent annual increase, the rate is still well outside the government's monitoring band of 0-4 per cent

Tuesday: With Germany's economic recovery proceeding faster than many had dared hope, June's industrial production and manufacturing output data, which are due out today or tomorrow, will be watched with interest.

A strong increase in output is expected, following a slight fall last month.

Friday: UK manufacturing and output data due today will provide further indications of the strength of the UK recovery, with a small pick-up in the rate of monthly growth expected.

In the US, a spate of industrial production and employment data is expected to point to continued strong recovery.

Day Released	Country	Eiconomic Statistic	Median Forecast	Previous Actual	Day Released	Count
Mon	US	June personal income	0.5%	0.6%	Thur	Germ
Aug 1	US .	June personal consume	rexpend 0.5%	0.4%	Aug 4	Gam

Aug 1	US .	June personal consumer expend	0.5%	0.4%
	us ·	Nat Ass purchasing managers inc	× 54.9%	. 57.5%
•	US ·	June construction spending	0.5%	0.9%
	Jepart	July auto sales".	`-i	1.7%
	Japan	July forex reserves	>	4.3%
	UK	July MO"	.∵0.8% .	0.5%
	·UK··	July MG**	8.3%	6.9%
Tues	US .	· June new home seles ; '	.700,000	738,000
Aug 2	US.,	Johnson Redbook, w/e July 30		-0.4%
	· UK	July off reserves jundarlying chang	P) -	. `-\$14m
Wed	US	June leading indicators	0.1%	.0.0%
Aug 3	us	June factory orders	0.9%	0.8%
	US	Jone fectory inventories	1	0.5% .
	US	July domestic auto sales · ·	.7m	7m,
	US	July domestic light truck sales .	5.4ca	6.4m
	· UK	June fires money date.		n/e
	Aus'8s	Aine retail trade!	. 0.5%	0.196
	Aus'ile .	June retail trade, reelt	0.0%	1.8%
Thur	US	· Initial claims, w/a July 30	345,600	331,000
Aug 4	. US	. State benefits, w/e July 23 .	* - 11	2.8m
	US .	June home completions	#*: I	1;45m

Thur	Germany	July vacancies, West	-	-3,000
Aug 4	Germany	July short-time West, not?	-	-69,000
(cont)	Canada	July loreign reserves, change	C\$200m	C\$682m
	Canada	July help wanted indict	97	95
Frid	US	July non-farm payrolls	210,000	379,000
Aug 5	US	July manufacturing payrolis	12,000	34,000
	US	July average workweek	-	34,6
	U\$-	July unemployment rate, civilian	5.1%	5%
	US	June consumer credit	-	\$10.4bm
	Japan	June current account, IMF	\$12.5bn	\$8.7bn
	Зарел	June trade balanca, IMF		\$8.8bn
	Japan	June foreign bond investment	-	\$5.6bn
	UK	June manufacturing output	0.2%	0.3%
•	UK	June manufacturing output**	4.6%	1.9%
1	UN	· June Industrial production*	0.3%	0.1%
During	the week			
	Japan	July trade balance, 1st 20 days	-	. \$5.9bn
. '	Germany .	June industrial production*	0.6%	-0.7%
	Germany	June manufacturing output*	0.75%	- 0.8%
	Germany	June manufacturing orders*	0.5%	0.2%
·.: :	Germany ·	dune M3, final	•	13.4%
1711	Germany	July cost of living, final	-	0.2%
	Germany	July cost of living, final**	-	3%
	italy _	June consumer prices Index, final	*.	3.5%

ACROSS
1 Drop by holding length of material (6)
4 Got the wrong enclosure (6)

8 Gather over on a blazing site 9 Blunder about Irish creature

(7)
11 He charges heavily for refining Cornish ore (10)
12 A worker's cards (4)
13 Started for example to get drawn into prohibition (5) 14 Columnist who carries weight

(8) 16 He's the kind of man who deliberately unlocks his capi-tal (8) 17 Electing to drop one over the lack of attention (7)
18 Straighten out a French com-

tal (8)

18 Reason for bringing union leader into the cabinet (5)

20 Bouncer with a certain pull round the hotel (4)

21 Small timer who can set wheels in motion (16)

23 Cause difficulties over active specialite (7)

(7) Strange dearth of strong feel-

26 Player involved in further match (6)

DOWN

1 Try to knock out the hot drink (5)

2 A fraction of a mark (7) Once arranged in the pub the engineer revealed a certain engineer revealed a cartain naivets (8) 5 Those whose expectations have been fulfilled (5) 6 The soldlers holding out reach the sirduct (7) 7 Unpleasant attack on the other side (9) 10 A line of leather (9) A tip for exporters? (9) Going back to modified English services (9)

poser (7) 21 Puzzle about one cereal (5)

That Scottish sodium, when overturned, will cause irrita-tion (5)

M2, w/e July 25

July unemployment rate, West†

\$4bn

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-18,000

MONDAY PRIZE CROSSWORD

No.8,520 Set by ADAMANT

*month on month, "year on year, tesesonally adjusted... Statistics, courtesy MMS international.

A prize of a Peilkan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Peilkan vouchers will be awarded. Solutions by Thursday August 11, marked Monday Crossword 8,520 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 15.

Winners 8.508 O.L Crown, London NW4 B.R. Candy, Maidenhead, Berk-

shire Helen Eyssartier, Paris, France A. Lipton, Hatch End, Middlesex A. Wild, Bournemouth, Dorset



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